

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4674
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 26, 2023

SUMMARY

Synopsis: Concerns eligibility for senior freeze reimbursement if eligible claimant exceeds income limit.

Type of Impact: Increased State cost to Property Tax Relief Fund.

Agencies Affected: Department of the Treasury, Division of Taxation.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2026 and Thereafter</u>
State Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) estimates that this bill will not have any fiscal impact until fiscal year (FY) 2026. Permitting an eligible homestead property tax (senior freeze) reimbursement claimant to maintain their base year after a one-time annual income increase will likely result in a modest fiscal impact.
- Assuming that this bill is enacted in calendar year 2023, any individuals that regain eligibility for a senior freeze reimbursement in calendar year 2024 would receive a payment in the latter half of calendar year 2025 (FY 2026).

BILL DESCRIPTION

This bill provides that, if, for any tax year, a person, who was in the prior tax year an eligible senior freeze reimbursement claimant, has income that exceeds the income limit for that tax year, that person would not receive a reimbursement for that tax year. However, that individual would maintain their base year without change, as long as the person has income in the next immediately succeeding tax year that does not exceed the income limit for that tax year. If that person's income for the next succeeding tax year exceeds the income limit for that tax year as well, the base year for that claimant would be changed to be the year prior to which the claimant again becomes an eligible claimant.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will not have any fiscal impact until FY 2026. Assuming that this bill is enacted in calendar year 2023, and that an eligible claimant is ineligible in calendar year 2023 due to a one-year increase in income, then that individual would not receive a senior freeze reimbursement in calendar year 2024 (FY 2025). If that individual regains eligibility in calendar year 2024, then the individual will receive a reimbursement payment in calendar year 2025 (FY 2026) for property taxes paid in calendar year 2024. Under the bill, this individual's senior freeze payment would be the difference between the individual's residential property tax bill in calendar year 2024 and the amount paid in their initial base year. Under current law, however, this individual's senior freeze reimbursement for property taxes paid in calendar year 2024 would be the difference between the calendar year 2024 property tax bill and the calendar year 2023 property tax bill.

Permitting an eligible homestead property tax (senior freeze) reimbursement claimant to maintain their base year after a one-time annual income increase will likely result in a modest fiscal impact. The OLS notes that it does not have access to data concerning the number of claimants for the homestead property tax reimbursement who become ineligible to participate in the program due to an increase in income then regain eligibility in the next year. However, the OLS crafts a hypothetical range to provide a sense of the potential magnitude of the enactment of this bill.

The OLS uses data previously provided by the Division of Taxation indicating that approximately 100 homeowners in each year from calendar year 2015 through calendar year 2017 regained their eligibility for the homestead property tax reimbursement after becoming ineligible *following a change in residence*. To craft an estimate of increased costs, the OLS first assumes that claimants lose eligibility based on increases in income at the same rate that claimants lose eligibility following a change in residence. Therefore, the OLS assumes that between 100 and 500 homeowners annually regain eligibility after having lost eligibility in the previous year due to income.

The OLS then utilizes residential property tax bill data from the Division of Local Government Services in the Department of Community Affairs to estimate the average increase in a claimant's senior freeze reimbursement from year-to-year. The data indicate that the Statewide average residential property tax bill in calendar year 2022 was \$9,490. The data also indicate that the average residential property tax bill has increased 1.78 percent per year since calendar year 2017. Based on these data, the OLS estimates that the average residential property tax bill will be \$9,659 in calendar year 2023 and \$9,831 in calendar year 2024. The amount of the estimated increase from calendar year 2023 to calendar year 2024 (\$172), when multiplied by the estimated number of claimants who may be affected by the bill, results in additional State costs of between \$17,200 and \$86,000.

For further illustrative purposes, and employing the same assumptions as above, the bill may cost an additional \$172,000 in State costs for every 1,000 claimants who may regain eligibility in any year after having lost eligibility in the previous year due to an increase in income.

The OLS notes that expenditures under the senior freeze program in recent years have been slightly less than \$200 million. Budget evaluation data indicate that a total of approximately 160,000 individuals annually receive benefits under the program.

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.).