

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

**ASSEMBLY, No. 4674**

## **STATE OF NEW JERSEY 220th LEGISLATURE**

DATED: JUNE 29, 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**

<b>Fiscal Impact</b>	<b><u>FY 2026 and Thereafter</u></b>
<b>State Cost Increase</b>	Maximum of \$206,400

- The Office of Legislative Services (OLS) estimates that this bill will not have any fiscal impact until fiscal year (FY) 2026. The fiscal impact of permitting an eligible homestead property tax (senior freeze) reimbursement claimant to maintain their base year after a one-time annual income increase is likely to be no more than \$206,400.
- 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 any 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.

The annual fiscal impact of permitting an eligible senior freeze reimbursement claimant to maintain their base year following a one-time annual income increase is likely to be no more than \$206,400. The OLS uses data provided by the Department of the Treasury indicating that an average of approximately 1,200 homeowners in each year from calendar year 2017 through calendar year 2021 lost their eligibility for the homestead property tax reimbursement after becoming ineligible due to an increase in income. To craft a maximum estimate of increased costs, the OLS first assumes that 1,200 homeowners would 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 \$206,400.

The OLS notes that it is likely that annual costs will fall below the maximum estimate of \$206,400. This is because the data provided by the Department of Treasury indicates that only as much as one-third of individuals, who were denied based on income in previous years, were approved in the following years.

*Section: Revenue, Finance and Appropriations*

*Analyst: Christopher Myles  
Senior Fiscal Analyst*

*Approved: Thomas Koenig  
Legislative Budget and Finance Officer*

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.).