

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4674

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 2023

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 4674.

As amended, this bill provides an exception to an eligibility requirement in the law establishing the homestead property tax exemption program (colloquially referred to as the “senior freeze program”). Under current law, a person who had been an eligible claimant for a homestead property tax reimbursement in a previous tax year, but is not an eligible claimant for a tax year, would lose their base year, and the base year would reset to the year prior to the year in which the person once again becomes an eligible claimant. Depending on how long the person has been eligible to participate in the homestead property tax reimbursement program, this could cause the person to permanently lose a large portion of their annual homestead property tax reimbursement.

Under this program, a person’s base year is the first year in which the person first becomes an eligible claimant under the law, and the annual homestead property tax reimbursement is calculated by subtracting the person’s base year property tax bill from the current year property tax bill. For example, if an eligible claimant’s base year was 1998, when their property tax bill was \$5,000, and that person has remained an eligible claimant through the current tax year, when their property tax bill is \$12,000, that person would receive a homestead property tax reimbursement check for the current year of \$7,000. However, if that person loses their eligible claimant status in the current tax year, their base year resets to the year prior to which the person again becomes an eligible claimant. So, if in that year the person’s property tax bill is \$11,000, their annual homestead property tax reimbursement checks will be much smaller, as they will have lost the benefit of the 1998 base year.

This bill would rectify that issue, if the loss of a person’s eligible claimant status is the result of a one-time annual income increase. The bill provides that, if, for any tax year, a person, who was in the prior tax year an eligible claimant, is to have income that exceeds the income limit for that tax year, that person is not to receive a homestead property tax reimbursement for that tax year but is to 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. However, 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 is to be changed to be the year prior to which the claimant again becomes an eligible claimant.

COMMITTEE AMENDMENTS:

The committee amendments provide that, with respect to a person who exceeds the income limit in a tax year and maintains the person's base year without change as provided under the bill, if the person exceeds the income limit in any succeeding tax year, the base year for the claimant would be changed to the year prior to which the claimant again becomes an eligible claimant. The addition of these amendments would mean that a person who exceeds the income limit in any succeeding tax year, whether in succession or not, would result in a reset of the person's base year. The bill as originally introduced provided that a person who exceeds the income limit two tax years in a row would result in a reset of the person's base year and would have allowed claimants to maintain their base year for exceeding the income limit in nonconsecutive years.

FISCAL IMPACT:

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).