

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 27, 2023

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1.

As amended and reported by the committee, this bill would provide property tax benefits to senior citizens through a new program called the Stay NJ property tax credit program, expand eligibility requirements under the homestead property tax reimbursement program (colloquially, the “senior freeze” program) for senior citizens and persons with disabilities, and expand property tax benefits for senior homeowners and renters under the ANCHOR Property Tax Relief Program.

The Stay NJ property tax credit program would provide to eligible claimants an annual property tax credit of 50 percent of the property taxes they paid on their principal residence in the prior tax year, up to a maximum of \$6,500 per year. The bill defines “eligible claimant” as a person who is 65 or more years of age, is the owner of a homestead in this State that is the person’s primary residence, and has a gross annual income that is less than \$500,000. Under the bill, there is a target date of January 1, 2026 for the implementation of the Stay NJ property tax credit program.

Under the bill, a property taxpayer who may be eligible to apply for an ANCHOR property tax rebate and a homestead property tax reimbursement, shall only be entitled 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 bill requires the director to promulgate a single combined application form to be used by State residents to apply for the ANCHOR rebate program, the homestead property tax reimbursement program, and the Stay NJ property tax credit program. State residents seeking property tax benefits under each of those programs would be required to fill out the entire application and file it with the director, who would determine which property tax relief program provides the greatest benefit for the applicant.

The amount of an eligible claimant’s Stay NJ property tax credit would be divided into four tax year quarter credits that would be applied by the municipality to each of the property tax quarter

payments paid on the eligible claimant's homestead in the tax year. The State Treasurer is required to forward Stay NJ property tax credit payments to each municipal tax collector, as applicable, on a quarterly basis at least 10 days prior to the statutory due date for each property tax year quarter payment (February 1, May 1, August 1, and November 1) to be applied against the property tax account of the homestead of an eligible claimant.

Under the bill, the base year of an eligible claimant who, for any tax year, receives a Stay NJ property tax credit instead of a homestead property tax reimbursement, would remain unchanged, notwithstanding the number of years that the taxpayer would receive a Stay NJ property tax credit instead of a homestead property tax reimbursement.

The bill establishes a dedicated, nonlapsing account to pay Stay NJ property tax credits and provides that \$100,000,000 shall be appropriated to that account in State Fiscal Year 2024, \$200,000,000 in State Fiscal Year 2025, and \$300,000,000 for State Fiscal Year 2026.

The bill also includes language requiring that the provisions of the STAY NJ property tax credit program will not supersede, impact, or interfere with the full funding in each State fiscal year necessary to satisfy the requirement in Article VIII, Section IV, paragraph 1 of the New Jersey Constitution that the Legislature provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of children in the State between 5 and 18 years of age; the full funding of the veterans' \$250 property tax deduction, required to be provided to eligible veterans pursuant to Article VIII, Section I, paragraph 3 of the New Jersey Constitution; the senior citizens' and disabled persons' \$250 property tax deduction authorized by Article VIII, section I, paragraph 4 of the New Jersey Constitution; the full payment of contributions required by law to be made to the State-administered retirement systems; and the maintenance of a budgetary surplus target of no less than 12 percent of total expenditures from the General Fund and the Property Tax Relief Fund in a given State fiscal year.

The bill also establishes the Stay NJ Task Force in the Department of the Treasury, to develop recommendations for establishing and funding uniform property tax relief to all senior citizen homeowners and tenants making under \$500,000 per year. The task force is required to review all of the existing property tax relief programs and present, to the Governor and the Legislature, no later than May 30, 2024, a report containing recommendations that have a target implementation date of January 1, 2026, about how to restructure and consolidate the various property tax relief programs into one, streamlined, property tax relief program that would deliver to senior citizens having an annual gross income under \$500,000 an annual property tax benefit, which for homeowners would be in the

amount of 50 percent of the property tax bill on their principal residence, beginning with the tax year 2026, which commences on January 1 of that year. The report is to include recommendations concerning system improvements that both the State and local government units would need to implement the Stay NJ property tax credit program and the funding required to establish and maintain such system improvements. The bill also requires the Legislature to consider and approve, and the Governor to enact, legislation implementing the task force's recommendations.

The bill would also rename the "Homestead Property Tax Credit Act" the "Stay NJ Act." That change would take effect when the Stay NJ property tax credit program is implemented.

The bill also would provide expanded benefits to eligible seniors 65 years of age or older under the ANCHOR Property Tax Relief Program in State Fiscal Years 2024, 2025, and 2026. Eligible senior homeowners having income not in excess of \$250,000 would receive an additional \$250, and seniors who are renters with incomes not in excess of \$150,000 would also receive an additional \$250.

The bill also makes appropriations of \$2,000,000 to fund the work of the Stay NJ Task Force, and \$15,000,000 for marketing and outreach to senior citizens concerning the increased ANCHOR benefits provided under the bill.

The bill also effectuates a recommendation in the Governor's Fiscal Year 2024 budget recommendations concerning the homestead property tax reimbursement program (colloquially, the "senior freeze program"). This recommendation proposed an expansion of the homestead property tax reimbursement program by increasing the income limit for eligibility to receive a homestead property tax reimbursement to \$150,000, and reducing the 10-year waiting period for eligibility to only three years of home ownership of the property for which a reimbursement is sought.

As amended by the committee, this bill will be identical to A1 (2R) as that bill will be amended and reported by the Assembly Budget Committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- Revise the definition of "eligible claimant" in the homestead property tax reimbursement program (colloquially, the "senior freeze" program) to increase to \$150,000 the income eligibility limit for tax year 2022, and require that this income eligibility limit would be subject to adjustment in subsequent tax years pursuant to section 9 of P.L.1997, c.348 (C.54:4-8.67);
- Reduce the ownership requirement for eligibility to receive a homestead property tax reimbursement to three years;

- Add a provision scheduling the implementation of the bill's amendments to the income limit and ownership requirement amendments to the homestead property tax reimbursement program;
- Require that the provisions of the bill concerning the Stay NJ property tax credit program will also not supersede, impact or interfere with the full payment of the contributions required by law to be made to the State-administered retirement systems, and the maintenance of a budgetary surplus target of 12 percent of total expenditures from the General Fund and the Property Tax Relief Fund in a given State fiscal year;
- Provide additional ANCHOR Property Tax Relief Program benefits in the amount of \$250 to eligible senior citizen homeowners and renters in State Fiscal Years 2024, 2025, and 2026;
- Establish a dedicated, nonlapsing account for Stay NJ property tax credit funds, and to appropriate to that account the following amounts: in State FY 2024, \$100,000,000; in State FY 2025, \$200,000,000; and in State FY 2026, \$300,000,000;
- Establish the Stay NJ Task Force and set forth its purpose of recommending how to establish and fund uniform property tax relief for all senior citizen homeowners and tenants making under \$500,000 per year; designate its membership; and require that it issue recommendations for legislation implementing that uniform property tax relief;
- Require the Legislature to consider and approve, and the Governor to enact, the legislation recommended by the Stay NJ Task Force; and
- Appropriate from the General Fund to the Department of the Treasury \$2,000,000 to fund the work of the Stay NJ Task Force and \$15,000,000 for marketing and outreach to seniors regarding the expanded ANCHOR benefits provided under the bill.

FISCAL IMPACT:

The OLS concludes that the bill will result in additional State costs. In FY 2024, the State will incur additional costs of approximately \$143.7 million as follows: \$126.7 million to provide enhanced ANCHOR benefits to homeowners and renters over age 65, \$15.0 million for an ANCHOR outreach and marketing campaign, and \$2.0 million for expenses associated with the Stay NJ Task Force. In FY 2025, the State will incur additional State costs of approximately \$17.5 million as follows: \$3.5 million to provide the second year of enhanced ANCHOR benefits to homeowners and renters over age 65 and \$14.0 million due to the expansion of eligibility for the homestead property tax reimbursement program.

The implementation of the Stay NJ property tax credit program will result in additional State costs of \$2.1 billion to \$2.4 billion in FY 2026. These costs will be partially offset by anticipated savings of senior citizen homeowners who currently participate in the ANCHOR and homestead property tax reimbursement programs shifting to the Stay NJ property tax credit program. Applying these cost savings reduces the program cost range to \$1.2 billion to \$1.5 billion. Program costs will increase to \$1.3 billion to \$1.6 million in FY 2027 and to \$1.4 billion to \$1.7 billion in FY 2028.

Although actual program expenditures will fluctuate in succeeding fiscal years due to changes in property taxes and participation levels among eligible claimants, the OLS estimates that program costs will grow by about two percent annually, in line with recent increases in property taxes. The bill requires additional State appropriations, beginning at \$100 million in FY 2024 and increasing to \$300 million in FY 2026 to support the Stay NJ property tax credit program. These appropriations will not be sufficient to cover the program's full cost.

Under the bill, the failure to enact reforms proposed by the Stay NJ Task Force will delay the development of the combined property tax relief application form, which, in turn, will delay the implementation of the Stay NJ property tax credit program to an unknown date in the future. For purposes of this estimate, the OLS projects that the Stay NJ property tax credit program is operative beginning January 1, 2026.