

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 2285

STATE OF NEW JERSEY

220th LEGISLATURE

DATED: MAY 27, 2022

SUMMARY

Synopsis: Allows property tax rebate for disabled veterans.

Type of Impact: Annual State cost increase.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
State Cost Increase	\$185.0 million	\$192.8 million	\$200.9 million

- The Office of Legislative Services (OLS) estimates that the cost for the disabled veterans’ property tax rebate will total \$185.0 million in FY 2023, \$192.8 million in FY 2024, and \$200.9 million in FY 2025.
- Using data compiled by the United States Department of Veterans Affairs (VA) and the New Jersey Department of the Treasury, the OLS estimates that 65,300 veterans will be eligible to receive the property tax rebate in FY 2023.
- Increases in the cost of the property tax rebate will be driven by annual changes in the number of veterans who receive disability compensation, their disability ratings, and adjustments to residential property tax bills and the amount of rent constituting property taxes.

BILL DESCRIPTION

The bill allows veterans with a service-connected disability to receive a property tax rebate from the State in proportion to the percentage of their service connected disability. The bill provides property tax relief to veterans having a disability rating of less than 100 percent total and permanent disability. Veterans who have a 100 percent total and permanent disability are already exempt from paying property taxes. The bill caps the rebate at \$5,000 per taxpayer and limits availability of the rebate to veterans with gross incomes of up to \$200,000.

Veterans with a service-connected disability are assigned a disability rating from the United States Department of Veterans Affairs. A disability rating may range from 0 percent to 100

percent. That rating will determine the percentage of property taxes paid that the veteran will be allowed as a rebate under the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would result in additional State costs to the Property Tax Relief Fund of \$185.0 million in FY 2023, \$192.8 million in FY 2024, and \$200.9 million in FY 2025. The cost of the disabled veterans' property tax rebate established by the bill is anticipated to grow in future years because the number of veterans who receive disability compensation and the average residential property tax bill and amount of rent constituting property taxes are expected to increase over time. The increases will be limited, in part, because the bill caps the amount of the property tax rebate at \$5,000 per taxpayer.

According to OLS calculations using the VA data, there will be approximately 4.5 million veterans nationwide who have a disability rating of 10 percent to 90 percent in federal FY 2022. Projections based on the data indicate that veterans living in New Jersey will constitute about 1.53 percent of that total, or 68,700 veterans. Data provided to the OLS by the Department of the Treasury indicates that about five percent of New Jersey taxpayers who claimed the gross income tax exemption for veterans reported gross income of \$200,000 or more. Therefore, the estimated number of New Jersey veterans who may be eligible for a property tax rebate was reduced from 68,700 to 65,300, or 1.45 percent of the national total. The estimated number of United States veterans in each disability rating category was then multiplied by the estimated proportion of veterans living in New Jersey (1.45 percent). These calculations yielded the number of veterans who may be eligible for a property tax rebate of 10 percent, 20 percent, etc.

The OLS used the data from the VA and the Division of Taxation, along with property tax data from the Division of Local Government Services (DLGS) in the Department of Community Affairs, and data from the U.S. Census Bureau's American Community Survey (ACS) to estimate the total State cost increase that may result from enactment of the bill.

Data from the ACS indicates that the homeownership rate in the State is about 64 percent with renters comprising 36 percent of the population. According to the DLGS, the average residential property tax bill increased by 1.66 percent per year, on average, from calendar year 2016 through calendar year 2021, while median gross rents in the State increased by 2.79 percent according to the ACS. By applying these rates of increase to the average residential property tax bill for 2021 (\$9,284) and annual rent constituting property taxes (\$3,037) the OLS was able to estimate the revenue loss in future fiscal years. Where necessary, projected rebate amounts were reduced so that they did not exceed the individual rebate limit of \$5,000 per taxpayer.

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.).