

# SENATE, No. 3299

## STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED DECEMBER 7, 2015

**Sponsored by:**

**Senator STEPHEN M. SWEENEY**

**District 3 (Cumberland, Gloucester and Salem)**

**Senator ROBERT W. SINGER**

**District 30 (Monmouth and Ocean)**

**Senator JOSEPH F. VITALE**

**District 19 (Middlesex)**

**SYNOPSIS**

Maintains property tax exemption for certain nonprofit hospitals with on-site for-profit medical providers; requires these hospitals to pay community service contributions to host municipalities; establishes Nonprofit Hospital Community Service Contribution Study Commission.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning the property tax status of certain nonprofit  
2 hospitals, supplementing chapter 48 of Title 40 and chapter 4 of  
3 Title 54 of the Revised Statutes, and amending R.S.54:4-3.6.  
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
6 *of New Jersey:*  
7

8 1. (New section) a. The owner of property used as an acute  
9 care hospital, which property is exempt from taxation pursuant to  
10 R.S.54:4-3.6 and section 2 of P.L. , c. (C. ) (pending before  
11 the Legislature as this bill), shall, except as otherwise provided  
12 under this section, annually be assessed a community service  
13 contribution to the municipality in which the licensed beds of the  
14 exempt acute care hospital are located and, in the case of a satellite  
15 emergency care facility, to the municipality in which such facility is  
16 located, which contributions shall be remitted to the municipalities  
17 to which the community service contributions are assessed.

18 b. The annual community service contribution required  
19 pursuant to subsection a. of this section shall be equal to \$2.50 a  
20 day for each licensed bed at the exempt acute care hospital property  
21 in the prior tax year, except that in the case of a licensed satellite  
22 emergency care facility the contribution shall be equal to \$750 a  
23 day in the prior tax year for each such facility; provided, however,  
24 that the amount shall be reduced by the amount of any payments  
25 remitted to the municipality in which the licensed beds of the  
26 exempt acute care hospital or licensed satellite emergency care  
27 facility, as the case may be, are located pursuant to a voluntary  
28 agreement operative in the prior tax year between the owner and the  
29 municipality to compensate for public safety services provided that  
30 benefit the occupants and premises of the exempt acute care  
31 hospital property. The annual community service contribution shall  
32 be payable in equal quarterly installments. The first installment  
33 shall be payable on February 1, the second installment on May 1,  
34 the third installment on August 1, and the fourth installment on  
35 November 1.

36 c. The obligation to remit a community service contribution  
37 pursuant to subsection a. of this subsection is legal, valid, and  
38 binding. If an annual community service contribution installment is  
39 not paid as and when due pursuant to subsection b. of this section,  
40 interest shall accrue and be due to the municipality on the unpaid  
41 balance at the rate of one and one-half percent per month until the  
42 unpaid balance and all interest accrued thereon is fully paid to the  
43 municipality; and the municipality may, in a civil action, recover  
44 the unpaid balance and all interest accrued thereon, together with  
45 attorney's fees and costs, in a court of competent jurisdiction.

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is  
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1       d. A municipality that receives a community service  
2 contribution pursuant to subsection a. of this section, or a payment  
3 under a voluntary agreement that reduces the amount of such  
4 contribution pursuant to subsection b. of this section, shall forthwith  
5 upon receipt remit five percent of the contribution or voluntary  
6 payment, as the case may be, to the county in which the  
7 municipality is located.

8       e. The proceeds from a community service contribution, and  
9 any interest accrued on any unpaid balance thereof, collected  
10 pursuant to this section, shall be used solely to fund police or fire  
11 protection; first aid, emergency, rescue, or ambulance services; any  
12 other public safety purpose; or to reduce the property tax levy.

13       f. An owner required to remit a community service  
14 contribution pursuant to subsection a. of this section may, by  
15 February 1, apply to the New Jersey Health Care Facilities  
16 Financing Authority in the Department of Health for the issuance of  
17 a certificate exempting the owner from that requirement for the  
18 current tax year for exempt property used as an acute care hospital  
19 in a municipality, if that acute care hospital had a negative  
20 operating margin in the prior tax year or the owner is not in full  
21 compliance with the financial terms of any bond covenants related  
22 to that acute care hospital. An application pursuant to this  
23 paragraph shall include the audited financial results for the acute  
24 care hospital from the prior tax year or other financial records  
25 showing that the owner is not in full compliance with its bond  
26 covenants related to that acute care hospital. If audited financial  
27 results from the prior tax year are not available by February 1, a  
28 certification of the chief financial officer of the acute care hospital  
29 shall be submitted by that date, and audited financial results shall be  
30 submitted within 15 days of such results being completed. The  
31 authority shall issue a determination on an application submitted  
32 pursuant to this subsection by April 1, or within 60 days of receipt  
33 of the audited financial results if such results are submitted after  
34 February 1.

35       If the authority determines that an acute care hospital that is the  
36 subject of an application submitted pursuant to this subsection had a  
37 negative operating margin in the prior tax year based on the audited  
38 financial results for that acute care hospital from that tax year or  
39 that the owner is not in full compliance with the financial terms of  
40 any bond covenants related to that acute care hospital, the authority  
41 shall grant the application and issue a certificate exempting the  
42 owner from the community service contribution otherwise required  
43 for the acute care hospital to the municipal tax collector of the  
44 municipality otherwise owed the contribution. A certificate issued  
45 pursuant to this paragraph shall be valid for the current tax year.

46       If the authority denies an application, any community service  
47 contribution owing shall bear interest from the original payment  
48 date pursuant to subsection c. of this section.

1       g. The Commissioner of Health, in consultation with the New  
2 Jersey Health Care Facilities Financing Authority in the Department  
3 of Health and the Director of the Division of Local Government  
4 Services in the Department of Community Affairs, shall adopt  
5 regulations necessary to effectuate the provisions of this section  
6 pursuant to the "Administrative Procedure Act," P.L.1968,  
7 c.410 (C.52:14B-1 et seq.).

8       h. As used in this section:

9       "Acute care hospital" means a hospital, other than a hospital the  
10 property of which is exempt from taxation pursuant to R.S.54:4-3.3,  
11 which maintains and operates organized facilities and services as  
12 approved and licensed by the Department of Health for the  
13 diagnosis, treatment, or care of persons suffering from acute illness,  
14 injury, or deformity and in which all diagnosis, treatment, and care  
15 are administered by or performed under the direction of persons  
16 licensed to practice medicine or osteopathy in the State of New  
17 Jersey, and includes all land and buildings that are used in the  
18 delivery of health care services by such hospital and its medical  
19 providers or that are used for the management, maintenance,  
20 administration, and security of such hospital and its medical  
21 providers, and any licensed satellite emergency care facility of such  
22 hospital.

23       "Licensed bed" means one of the total number of beds for which  
24 an acute care hospital is approved for patient care by the  
25 Commissioner of Health.

26       "Medical provider" means an individual or entity which, acting  
27 within the scope of a licensure or certification, provides health care  
28 services, and includes, but is not limited to, a physician, physician  
29 assistant, psychologist, pharmacist, dentist, nurse, paramedic,  
30 respiratory care practitioner, medical or laboratory technician,  
31 ambulance or emergency medical worker, orthotist or prosthetist,  
32 radiological or other diagnostic service facility, bioanalytical  
33 laboratory, health care facility, and further includes administrative  
34 support staff of the individual or entity.

35       "Owner" means an association or corporation organized as a  
36 nonprofit pursuant to Title 15 of the Revised Statutes or Title 15A  
37 of the New Jersey Statutes exclusively for hospital purposes that  
38 owns an acute care hospital.

39  
40       2. (New section) a. Property, including land and buildings,  
41 used as an acute care hospital, which is owned by an association or  
42 corporation organized as a nonprofit association or corporation  
43 pursuant to Title 15 of the Revised Statutes or Title 15A of the New  
44 Jersey Statutes exclusively for hospital purposes, shall be exempt  
45 from taxation, provided that, except in the case of a lease to or use  
46 by a profit-making medical provider for medical purposes, if any  
47 portion of the property is leased to a profit-making organization or  
48 otherwise used for purposes which are not themselves exempt from

1     taxation, that portion shall be subject to taxation and the remaining  
2     portion only shall be exempt from taxation. If any portion of an  
3     acute care hospital is leased to or otherwise used by a profit-making  
4     medical provider for medical purposes, that portion shall be exempt  
5     from taxation.

6     b. The owner of property used as an acute care hospital exempt  
7     from taxation pursuant to subsection a. of this section shall be  
8     assessed a community service contribution pursuant to section 1 of  
9     P.L. , c. (C. ) (pending before the Legislature as this bill).

10    c. As used in this section:

11     “Acute care hospital” means a hospital which maintains and  
12     operates organized facilities and services as approved and licensed  
13     by the Department of Health for the diagnosis, treatment, or care of  
14     persons suffering from acute illness, injury, or deformity and in  
15     which all diagnosis, treatment, and care are administered by or  
16     performed under the direction of persons licensed to practice  
17     medicine or osteopathy in the State of New Jersey, and includes all  
18     land and buildings that are used in the delivery of health care  
19     services by such hospital and its medical providers or that are used  
20     for the management, maintenance, administration, and security of  
21     such hospital and its medical providers, and any licensed satellite  
22     emergency care facility of such hospital.

23     “Medical provider” means an individual or entity which, acting  
24     within the scope of a licensure or certification, provides health care  
25     services, and includes, but is not limited to, a physician, physician  
26     assistant, psychologist, pharmacist, dentist, nurse, paramedic,  
27     respiratory care practitioner, medical or laboratory technician,  
28     ambulance or emergency medical worker, orthotist or prosthetist,  
29     radiological or other diagnostic service facility, bioanalytical  
30     laboratory, health care facility, and further includes administrative  
31     support staff of the individual or entity.

32

33     3. (New section) a. There is established a commission to be  
34     known as the Nonprofit Hospital Community Service Contribution  
35     Study Commission. The commission shall consist of nine members  
36     as follows: the Commissioner of Health, ex officio; two members of  
37     the Senate to be appointed by the President of the Senate, who shall  
38     not both be of the same political party; two members of the  
39     Assembly to be appointed by the Speaker of the Assembly, who  
40     shall not both be of the same political party; two members,  
41     appointed by the Governor, who are mayors of municipalities  
42     receiving community service contributions pursuant to section 1 of  
43     P.L. , c. (C. ) (pending before the Legislature as this bill);  
44     and two members, appointed by the Governor, who are chief  
45     executive officers of nonprofit hospitals assessed community  
46     service contributions pursuant to section 1 of P.L. ,  
47     c. (C. ) (pending before the Legislature as this bill). Each  
48     member may designate a representative to attend meetings of the

1 commission, and each designee may lawfully vote and otherwise act  
2 on behalf of the member who designated that individual to serve as  
3 a designee. The members shall serve until the commission submits  
4 its report to the Governor and the Legislature pursuant to subsection  
5 e. of this section. Vacancies in the membership of the commission  
6 shall be filled in the same manner as the original appointments.

7 b. The members shall be appointed within 60 days following  
8 the effective date of P.L. , c. (C. ) (pending before the  
9 Legislature as this bill). The commission shall organize as soon as  
10 practicable after the appointment of its members and shall select a  
11 chair and a treasurer from among its members, and a secretary who  
12 need not be a member of the commission. The presence of five  
13 members of the commission shall constitute a quorum. The  
14 commission may conduct business without a quorum, but may only  
15 vote on the issuance of the report required to be submitted to the  
16 Governor and the Legislature pursuant to subsection e. of this  
17 section, and on any recommendations, when a quorum is present.

18 c. All commission members shall serve without compensation,  
19 but shall be eligible for reimbursement of necessary and reasonable  
20 expenses incurred in the performance of their official duties within  
21 the limits of funds appropriated or otherwise made available to the  
22 commission for its purposes.

23 d. The commission may meet and hold public hearings at the  
24 place or places it designates during the sessions or recesses of the  
25 Legislature.

26 e. The commission shall study the implementation of P.L. ,  
27 c. (C. ) (pending before the Legislature as this bill) and shall  
28 issue a report to the Governor and the Legislature, pursuant to  
29 section 2 of P.L.1991, c.164 (C.52:14-19.1), within one year  
30 following the effective date of P.L. , c. (C. ) (pending  
31 before the Legislature as this bill). The report shall include an  
32 analysis of the financial impact of P.L. , c. (C. ) (pending  
33 before the Legislature as this bill) on both nonprofit hospitals  
34 assessed community service contributions thereunder and the  
35 municipalities receiving such contributions, and an analysis of the  
36 administration and equity of these contributions. The report shall  
37 include any recommendations that the commission determines  
38 would improve the administration, equity, or any other aspect of the  
39 nonprofit hospital community service contribution system  
40 established by P.L. , c. (C. ) (pending before the Legislature  
41 as this bill).

42 f. The commission shall expire 90 days after the issuance of  
43 the report pursuant to subsection e. of this section.

44  
45 4. R.S.54:4-3.6 is amended to read as follows:

46 54:4-3.6. The following property shall be exempt from taxation  
47 under this chapter: all buildings actually used for colleges, schools,  
48 academies or seminaries, provided that if any portion of such

1 buildings are leased to profit-making organizations or otherwise  
2 used for purposes which are not themselves exempt from taxation,  
3 said portion shall be subject to taxation and the remaining portion  
4 only shall be exempt; all buildings actually used for historical  
5 societies, associations or exhibitions, when owned by the State,  
6 county or any political subdivision thereof or when located on land  
7 owned by an educational institution which derives its primary  
8 support from State revenue; all buildings actually and exclusively  
9 used for public libraries, asylum or schools for adults and children  
10 with intellectual disabilities; all buildings used exclusively by any  
11 association or corporation formed for the purpose and actually  
12 engaged in the work of preventing cruelty to animals; all buildings  
13 actually and exclusively used and owned by volunteer first-aid  
14 squads, which squads are or shall be incorporated as associations  
15 not for pecuniary profit; all buildings actually used in the work of  
16 associations and corporations organized exclusively for the moral  
17 and mental improvement of men, women and children, provided  
18 that if any portion of a building used for that purpose is leased to  
19 profit-making organizations or is otherwise used for purposes which  
20 are not themselves exempt from taxation, that portion shall be  
21 subject to taxation and the remaining portion only shall be exempt;  
22 all buildings actually used in the work of associations and  
23 corporations organized exclusively for religious purposes, including  
24 religious worship, or charitable purposes, provided that if any  
25 portion of a building used for that purpose is leased to a profit-  
26 making organization or is otherwise used for purposes which are not  
27 themselves exempt from taxation, that portion shall be subject to  
28 taxation and the remaining portion shall be exempt from taxation,  
29 and provided further that if any portion of a building is used for a  
30 different exempt use by an exempt entity, that portion shall also be  
31 exempt from taxation; all buildings actually used in the work of  
32 associations and corporations organized exclusively for hospital  
33 purposes, provided that , except in the case of an acute care hospital  
34 as provided in section 2 of P.L. , c. (C. ) (pending before  
35 the Legislature as this bill), if any portion of a building used for  
36 hospital purposes is leased to profit-making organizations or  
37 otherwise used for purposes which are not themselves exempt from  
38 taxation, that portion shall be subject to taxation and the remaining  
39 portion only shall be exempt; all buildings owned or held by an  
40 association or corporation created for the purpose of holding the  
41 title to such buildings as are actually and exclusively used in the  
42 work of two or more associations or corporations organized  
43 exclusively for the moral and mental improvement of men, women  
44 and children; all buildings owned by a corporation created under or  
45 otherwise subject to the provisions of Title 15 of the Revised  
46 Statutes or Title 15A of the New Jersey Statutes and actually and  
47 exclusively used in the work of one or more associations or  
48 corporations organized exclusively for charitable or religious

1 purposes, which associations or corporations may or may not pay  
2 rent for the use of the premises or the portions of the premises used  
3 by them; the buildings, not exceeding two, actually occupied as a  
4 parsonage by the officiating clergymen of any religious corporation  
5 of this State, together with the accessory buildings located on the  
6 same premises; the land whereon any of the buildings hereinbefore  
7 mentioned are erected, and which may be necessary for the fair  
8 enjoyment thereof, and which is devoted to the purposes above  
9 mentioned and to no other purpose and does not exceed five acres in  
10 extent; the furniture and personal property in said buildings if used  
11 in and devoted to the purposes above mentioned; all property owned  
12 and used by any nonprofit corporation in connection with its  
13 curriculum, work, care, treatment and study of men, women, or  
14 children with intellectual disabilities shall also be exempt from  
15 taxation, provided that such corporation conducts and maintains  
16 research or professional training facilities for the care and training  
17 of men, women, or children with intellectual disabilities; provided,  
18 in case of all the foregoing except for an acute care hospital , the  
19 buildings, or the lands on which they stand, or the associations,  
20 corporations or institutions using and occupying them as aforesaid,  
21 are not conducted for profit, except that the exemption of the  
22 buildings and lands used for charitable, benevolent or religious  
23 purposes shall extend to cases where the charitable, benevolent or  
24 religious work therein carried on is supported partly by fees and  
25 charges received from or on behalf of beneficiaries using or  
26 occupying the buildings; provided the building is wholly controlled  
27 by and the entire income therefrom is used for said charitable,  
28 benevolent or religious purposes; and any tract of land purchased  
29 pursuant to subsection (n) of section 21 of P.L.1971,  
30 c.199 (C.40A:12-21), and located within a municipality, actually  
31 used for the cultivation and sale of fresh fruits and vegetables and  
32 owned by a duly incorporated nonprofit organization or association  
33 which includes among its principal purposes the cultivation and sale  
34 of fresh fruits and vegetables, other than a political, partisan,  
35 sectarian, denominational or religious organization or association.  
36 The foregoing exemption shall apply only where the association,  
37 corporation or institution claiming the exemption owns the property  
38 in question and is incorporated or organized under the laws of this  
39 State and authorized to carry out the purposes on account of which  
40 the exemption is claimed or where an educational institution, as  
41 provided herein, has leased said property to a historical society or  
42 association or to a corporation organized for such purposes and  
43 created under or otherwise subject to the provisions of Title 15 of  
44 the Revised Statutes or Title 15A of the New Jersey Statutes.

45 As used in this section **["hospital"]** :

46 "Acute care hospital" means the same as that term is defined in  
47 section 2 of P.L. , c. (C. ) (pending before the Legislature  
48 as this bill).





1 by a nonprofit hospital for the same purpose would count towards  
2 the obligation to provide a community service contribution.

3 The bill would require municipalities to provide five percent of a  
4 nonprofit hospital community service contribution, or voluntary  
5 payment that counts against such contribution, to the county in  
6 which the municipality is located to offset public safety services  
7 expenses borne by the county which benefit the hospital.

8 In addition, the bill requires that all community service  
9 contribution proceeds be used to fund public safety services such as  
10 police and fire protection, and emergency medical services, or be  
11 used to reduce the property tax levy.

12 The bill also permits a nonprofit hospital to apply to the New  
13 Jersey Health Care Facilities Financing Authority for an exemption  
14 from a community service contribution if the hospital had a  
15 negative operating margin in the prior tax year or is not in full  
16 compliance with the financial terms of any bond covenants to which  
17 it is subject, to help ensure that these hospitals may continue to  
18 operate and serve the community.

19 Hospitals owned by the State or any political subdivision thereof  
20 would not be subject to the community service contribution  
21 required by the bill.

22 The bill would also establish a commission, known as the  
23 Nonprofit Hospital Community Service Contribution Study  
24 Commission, to study and issue a report on the community service  
25 contribution system created by the bill. The report may include any  
26 recommendations on how to improve the administration, fairness, or  
27 any other aspect of this system.