ASSEMBLY, No. 2039

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
Assemblywoman ELIANA PINTOR MARIN
District 29 (Essex)

SYNOPSIS

Allows municipalities to adjust deadline to apply for short-term exemption or abatement for dwellings; requires provision of notice to purchasers of dwellings in areas in need of rehabilitation under certain circumstances.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT concerning short-term tax exemption or abatement for dwellings and amending P.L.1991, c.441.

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

1. Section 16 of P.L.1991, c.441 (C.40A:21-16) is amended to read as follows:

16. a. No exemption or abatement shall be granted pursuant to **[**this act**]** P.L.1991, c.441 (C.40A:21-1 et seq.) except upon written application therefor filed with and approved by the assessor of the taxing district wherein the improvement, conversion alteration or construction is made. Every application shall be on a form prescribed by the Director of the Division of Taxation in the Department of the Treasury, and provided for the use of claimants by the governing body of the municipality constituting the taxing district, and shall be filed with the assessor within the timeframes specified herein and authorized by ordinance.

b. (1) Except as provided in paragraph (2) of this subsection, an ordinance adopted pursuant to section 4 of P.L.1991, c.441 (C.40A:21-4) shall require a claimant to file an application with the assessor within 30 days, including Saturdays and Sundays, following the completion of the improvement, conversion alteration or construction.

(2) If an ordinance adopted pursuant to section 4 of P.L.1991, c.441 (C.40A:21-4) provides for exemptions, abatements, or both exemptions and abatements, for improvements to dwellings pursuant to section 5 of P.L.1991, c.441 (C.40A:21-5), the ordinance may provide that, in the event a claimant has not filed an application with the assessor within 30 days following the completion of improvements to a dwelling pursuant to paragraph (1) of this subsection, a purchaser of the dwelling may file an application with the assessor within the later of one year of the date of completion of the improvements, or within one year of the date of the purchase of the dwelling.

c. Every application for exemption, or exemption and abatement, within a municipality adopting the provisions of **[**this act**]** P.L.1991, c.441 (C.40A:21-1 et seq.) which is filed within the time specified, shall be approved and allowed by the assessor to the degree that the application is consistent with the provisions of the adopting ordinance or the tax agreement, provided that the improvement, conversion alteration or construction for which the application is made qualifies as an improvement, a conversion alteration or construction pursuant to the provisions of **[**this act**]** P.L.1991, c.441 (C.40A:21-1 et seq.) and the tax agreement, if any.

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.

d. The granting of an exemption, or exemption and abatement, shall relate back to, and take effect as of**[**,**]** (1) the date of completion of the project, or portion or stage of the project for which the exemption, or exemption and abatement, is granted, and shall continue for five annual periods from that date, or (2) the date of purchase of the property for which the exemption, or exemption and abatement, is granted, and shall continue for five annual periods from that date.

e. The grant of the exemption, or exemption and abatement, or tax agreement shall be recorded and made a permanent part of the official tax records of the taxing district, which record shall contain a notice of the termination date thereof.

(cf: P.L.2007, c.268, s.6)

2. Section 20 of P.L.1991, c.441 (C.40A:21-20) is amended to read as follows:

20. a. A municipality which has adopted an ordinance providing for exemptions, or exemptions and abatements, pursuant to **[**this act**]** P.L.1991, c.441 (C.40A:21-1 et seq.) shall include the appropriate notice in the mailing of annual property tax bills to each owner of a dwelling located in an area in which exemptions, or exemptions and abatements, may be allowed pursuant to the ordinance during the first year following adoption of the ordinance.

b. The owner of a dwelling located in an area in which exemptions, abatements, or both exemptions and abatements, may be allowed pursuant to an ordinance adopted pursuant to P.L.1991, c.441 (C.40A:21-1 et seq.), which owner has completed improvements to the dwelling, but has not submitted an application to the assessor for exemption, abatement, or both pursuant to section 16 of P.L.1991, c.441 (C.40A:21-16), shall provide notice to that effect to the subsequent purchaser of the dwelling at the time of entering into a contract of sale for the dwelling.

(cf: P.L.1991, c.441, s.20)

3. This act shall take effect immediately.

STATEMENT

This bill would authorize municipalities to adopt or amend their ordinances allowing for short-term tax exemptions and abatements in areas in need of rehabilitation to allow a subsequent purchaser of a dwelling located within an area in need of rehabilitation to submit an application for a short-term tax exemption or abatement for improvements that were made to the dwelling by the prior owner. The bill would also require the owner of a dwelling located in an area in which short-term tax exemptions and abatements are allowed, which owner has completed improvements to the dwelling,

but has not submitted an application to the assessor for a tax exemption or abatement, to provide notice to that effect to the subsequent purchaser of the dwelling at the time of entering into a contract of sale for the dwelling.

This bill responds to the circumstance in which a person or firm purchases a dwelling located in an area in need of rehabilitation, completes improvements to the dwelling, but does not submit an application for a five-year tax exemption or abatement, which is allowed under State law and authorized by local ordinance, and then "flips" the improved dwelling to a new owner. In this circumstance, the purchaser may have been savvy enough to check the tax assessment and tax bill amount of the property at the time of purchase, but be unaware that the assessment and tax bill has not yet taken into account the value of improvements to the property. Under this scenario, it may not be until after the assessor adjusts the assessed value of the property to reflect the improvements, and a tax bill is delivered to the new owner reflecting this increase in value, that the new owner learns of a substantially increased financial obligation that was not taken into consideration when deciding to purchase the dwelling.

Although our State Constitution allows municipalities to grant exemptions and abatements from real property taxation in areas in need of rehabilitation for a period of time not in excess of five years, current law requires applications for exemptions or abatements to be submitted to the assessor within 30 days of completion of improvements.

Specifically, the bill will allow municipalities that adopt ordinances providing for short-term tax exemptions and abatements for improvements to dwellings to provide that, in the event a claimant has not filed an application with the assessor within 30 days following the completion of improvements to a dwelling, a purchaser of the dwelling may file an application with the assessor within the later of one year of the date of completion of the improvements, or within one year of the date of the purchase of the dwelling. This will provide the subsequent purchaser of a dwelling, in municipalities allowing it, a window of opportunity to submit an application for an exemption or abatement which, if granted will provide the new owner a period of time to take appropriate action based upon this financial obligation.

By requiring property flippers to notify purchasers of dwellings at the time of sale that they have recently made improvements to the dwelling, have not applied for a tax abatement or exemption, and that the current tax bill may not reflect increased value to the dwelling attributable to the recent improvements, the purchaser will be on notice of these factors and will have an opportunity to make a more accurate determination of whether to purchase the dwelling.