# ASSEMBLY, No. 2804

# STATE OF NEW JERSEY

## 219th LEGISLATURE

INTRODUCED FEBRUARY 20, 2020

**Sponsored by:**
**Assemblyman GARY S. SCHAER**
**District 36 (Bergen and Passaic)**

**SYNOPSIS**

Adds to property tax levy cap exclusions increases in flood insurance premiums.

**CURRENT VERSION OF TEXT**

As introduced.

**AN ACT** concerning the calculation of the local property tax levy cap and amending P.L.2007, c.62.

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

1. Section 10 of P.L.2007, c.62 (C.40A:4-45.45) is amended to read as follows:

10. a. (1) In the preparation of its budget the amount to be raised by taxation by a local unit shall not exceed, except as provided in paragraph (2) of this subsection, the sum of new ratables, the adjusted tax levy, and the total of waivers approved pursuant to section 11 of P.L.2007, c.62 (C.40A:4-45.46); provided, however, that in the case of a county, the amount to be raised by taxation shall not exceed the amount permitted by section 4 of P.L.1976, c.68 (C.40A:4-45.4).

(2) A local unit that has not been granted approval for a waiver pursuant to section 11 of P.L.2007, c.62 (C.40A:4-45.46), may add to its adjusted tax levy in any one of the next three succeeding years, the amount of the difference between the maximum allowable amount to be raised by taxation or county purposes tax, as applicable, for the current local budget year pursuant to paragraph (1) of this subsection and the actual amount to be raised by taxation or county purposes tax, as applicable, for the current local budget year.

b. The following exclusions shall be added to the calculation of the adjusted tax levy:

increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; <u>for local units with flood insurance in the prior year, increases in flood insurance premiums in excess of 2.0% over the amount of the prior year's flood insurance premiums in the initial year following changes to federal flood insurance maps; for local units without flood insurance in the prior year, the entire initial cost for flood insurance premiums in the initial year following changes to federal flood insurance maps; for any local units in the second, third, and fourth</u>

**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 <u>thus</u> is new matter.**

year following changes to federal flood insurance maps, flood insurance premiums in excess of 2.0% over the amount of the prior year's flood insurance premiums; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate.

If there are no exclusions, then the amount of the difference shall reduce the adjusted tax levy by that amount. Any cancelled or unexpended appropriation for any exclusion pursuant to this subsection or waiver pursuant to section 11 of P.L.2007, c.62 (C.40A:4-45.46), also shall be deducted from the sum of the exclusions listed in this subsection or directly reduce the adjusted tax levy if there are no exclusions.

(cf: P.L.2010, c.44, s.9)

2. This act shall take effect immediately.

STATEMENT

This bill provides a limited exclusion from the calculation of a local unit of government's property tax levy cap for certain increases in flood insurance premiums resulting from changes to federal flood insurance maps. The amount of the cap exclusion allowed by the bill is dependent on the local unit's existing flood insurance coverage and the number of years that have elapsed since changes to federal flood insurance maps were made.

The bill provides that in the first year following a change to the federal flood insurance maps, a local unit of government that has flood insurance is permitted to exclude from that unit's property tax levy cap the amount of any increase in flood insurance premiums that are more than two percent more than the prior year's flood insurance premiums. The bill provides that a local unit of government that does not have flood insurance is permitted to exclude from that unit's property tax levy cap the entire initial cost for flood insurance premiums that are incurred in the first year following a change to the federal maps.

The bill provides that in the second, third, and fourth years following a change to the federal flood insurance maps, a local unit of government that either did or did not have flood insurance in the year prior to the change in the flood maps, is permitted to exclude from that unit's property tax levy cap flood insurance premiums that are more than two percent more than the prior year's flood insurance premiums.

The exclusion provided by the bill will not apply in the fifth and subsequent years following a change to the federal flood insurance maps.

The bill takes effect immediately upon enactment.