

SENATE, No. 310

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator RONALD L. RICE

District 28 (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.



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

3

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

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

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

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

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

36 c. Every application for exemption, or exemption and
37 abatement, within a municipality adopting the provisions of 【this
38 act】 P.L.1991, c.441 (C.40A:21-1 et seq.) which is filed within the
39 time specified, shall be approved and allowed by the assessor to the
40 degree that the application is consistent with the provisions of the
41 adopting ordinance or the tax agreement, provided that the
42 improvement, conversion alteration or construction for which the
43 application is made qualifies as an improvement, a conversion
44 alteration or construction pursuant to the provisions of 【this act】
45 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,

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

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

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

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

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