

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 755
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 5, 2020

SUMMARY

Synopsis: Converts senior freeze reimbursement program into credit program.

Type of Impact: Indeterminate impact on State expenditures.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Impact	Indeterminate		

- The Office of Legislative Services (OLS) expects the bill to result in an indeterminate impact on State expenditures associated with the provision of benefits under the homestead property tax reimbursement (i.e., Senior Freeze) program.
- The bill converts the Senior Freeze program into a credit-based program. Under the bill, Senior Freeze credits would be provided towards the August 1 and November 1 property tax bills immediately following the approval of the claimant’s application.
- Consequently, the fiscal year in which each credit is provided may vary depending on the date on which the eligible claimant’s annual application is approved. As a result, the State may experience additional uncertainty with respect to budgeting for the anticipated expenditures of the program during any given fiscal year.
- The bill also extends the program’s annual application deadline in certain circumstances (e.g., illness or hospitalization). As a result, the bill requires the State to provide Senior Freeze benefits to certain applicants who would have otherwise missed the application deadline.
- Additionally, the bill could result in certain administrative cost savings for the Department of the Treasury associated with the conversion of Senior Freeze into a credit-based program. The OLS notes that the department is already familiar with providing property tax credits through the homestead benefit program.

BILL DESCRIPTION

The bill converts the homestead property tax reimbursement program, commonly known as the “Senior Freeze” program, from a reimbursement program into a credit program for most eligible homeowners. Currently, an eligible claimant is required to annually apply for a Senior Freeze benefit property tax reimbursement, which is provided by check after approval by the Director of the Division of Taxation in the Department of the Treasury (director). The reimbursement is provided for an amount that equals the property taxes paid for that year, minus the property taxes paid during the claimant’s base year (i.e., the first year of participation in the program).

Under the bill, an eligible claimant would instead receive a Senior Freeze benefit in the form of a property tax credit provided directly to the municipality in which the claimant resides. Specifically, the credit would be provided, in equal installments, as determined by the director, towards the local property tax due dates of August 1 and November 1 immediately following the approval of the claimant’s application. However, the bill also provides that any eligible claimant who resides in a cooperative, mutual housing corporation, or continuing care retirement community would receive the benefit as a rebate.

In addition, the bill requires the director to extend the application deadline for Senior Freeze applicants who provide: (1) medical evidence of an illness or hospitalization that prevented the applicant’s timely application; or (2) evidence that the applicant attempted to file an application in a timely manner.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects the bill to have an indeterminate impact on State expenditures associated with the provision of benefits under the Senior Freeze program. Specifically, the bill converts the Senior Freeze program into a credit-based program, as opposed to a reimbursement-based program. However, the OLS lacks sufficient information to quantify the fiscal impact of the bill.

Under current law, eligible claimants of the Senior Freeze program are required to annually apply for a property tax reimbursement during the period between April 1 and October 31 of the tax year following the year for which the reimbursement is claimed. Upon approval of a claimant’s application, the director is required to mail a property tax reimbursement check to each eligible claimant on or before: (1) July 15 if the claimant applied before May 1; (2) September 1 if the claimant applied between May 1 and June 1; or (3) a date designated by the director if the claimant applied after June 1. The State currently provides Senior Freeze reimbursements for Tax Year 2018 property tax payments during Fiscal Year 2020.

Under the bill, eligible claimants of the Senior Freeze program would continue to file annual applications during the period between April 1 and October 31 of the tax year following the year for which the reimbursement is claimed. Upon approval of a claimant’s application, the bill instead requires the director to provide a credit, via electronic funds transfer, to the municipality in which the eligible claimant resides. Most importantly, the credit would be provided, in equal installments, towards the August 1 and November 1 property tax bills immediately following the

approval of the claimant's application. However, any eligible claimant who resides in a cooperative, mutual housing corporation, or continuing care retirement community would instead receive a rebate on or before October 31.

The OLS notes that the timing of State expenditures associated with the Senior Freeze program may vary as a result of the requirement to provide each credit toward the August 1 and November 1 property tax bills immediately following the approval of the claimant's application. For example, the OLS assumes that a credit toward an eligible claimant's Tax Year 2019 property taxes would be provided in: (1) Fiscal Year 2021 (i.e., August 1, 2020 and November 1, 2020) if the claimant's application is approved prior to August 1, 2020; (2) Fiscal Year 2022 (i.e., August 1, 2021 and November 1, 2021) if the claimant's application is approved after November 1, 2020; or (3) Fiscal Year 2021 or Fiscal Year 2022, as determined by the director, if the claimant's application is approved during the period between August 1, 2020, and November 1, 2020.

Consequently, the fiscal year in which each credit is provided may vary depending on the date on which the eligible claimant's annual application is approved. Although the total expenditures associated with providing Senior Freeze credits would be unaffected by this requirement, the OLS notes that the State could experience additional uncertainty with respect to budgeting for the anticipated expenditures of the Senior Freeze program during any given fiscal year.

The bill could also increase State expenditures by extending the application deadline for certain Senior Freeze applicants. Specifically, the bill requires the director to extend the application deadline for applicants who provide: (1) medical evidence of an illness or hospitalization that prevented the applicant's timely application; or (2) evidence that the applicant attempted to file an application in a timely manner. As a result, the bill requires the State to provide Senior Freeze benefits to certain applicants who would have otherwise missed the application deadline.

Additionally, the Department of the Treasury could experience certain reductions in administrative expenditures by converting the Senior Freeze program into a credit-based program. For example, the department could incur reduced expenditures associated with providing electronic funds transfers compared to mailing reimbursement checks. The OLS also notes that the department is already familiar with providing property tax credits through the homestead benefit program, which provides property tax rebates to eligible homeowners.

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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.).