SENATE, No. 841

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
Senator NELLIE POU
District 35 (Bergen and Passaic)

SYNOPSIS

Requires direct payment of homestead credit to claimant following sale of qualifying homestead and upon claimant request.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT requiring the direct payment of a homestead credit to the claimant if the claimant requests the direct payment following the sale of the qualifying homestead, and amending P.L.1990, c.61.

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

1. Section 7 of P.L.1990, c.61 (C.54:4-8.63) is amended to read as follows:

7. a. The State Treasurer annually on or before October 31, upon certification of the director and upon warrant of the Director of the Division of Budget and Accounting, shall pay and distribute the amount of a homestead rebate payable under this act that is claimed for the prior tax year to each claimant whose rebate is approved by the director.

b. A homestead credit allowed by the Director of the Division of Taxation to a claimant who claimed a homestead credit pursuant to section 3 of P.L.1990, c.61 (C.54:4-8.59), and whose homestead is not a unit in a cooperative, mutual housing corporation or continuing care retirement community, shall be paid by the State Treasurer, through electronic funds transfer made by the director to the local property tax account maintained by the local tax collector for the homestead of the claimant as the claimant shall identify, in equal installments after the application for the credit has been approved, at the dates and in the manner as the director shall determine to best coincide with the next local property tax quarterly due dates of August 1 and November 1. Notice of payments of credit installments shall be provided to the claimant and the appropriate local tax collector.

c. Notwithstanding subsection b. of this section, the director shall provide a homestead benefit under this act as a credit only if the director can ensure that the benefit will be applied to the appropriate taxpayer. Otherwise, the director may remit a homestead benefit to an eligible taxpayer as a rebate. <u>Provided further, the director shall remit a homestead benefit directly to an eligible taxpayer by paper check, prepaid debit card, electronic direct deposit into the taxpayer's bank account or any other disbursement method that the director may deem appropriate, if the taxpayer: (1) sells, after the taxpayer's application for a homestead benefit, the homestead for which the taxpayer qualified for a homestead benefit; and (2) notifies the director prior to the payment of the homestead benefit, on a form to be developed and furnished by the director, of the sale and the taxpayer's election to directly receive the homestead benefit.</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.

d. Notwithstanding subsection b. of this section, a resident homeowner of this State who is 65 years of age or older at the close of the tax year or who is allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall receive the credit in the form of a rebate payment in calendar year 2007, but will receive credits in future years starting in calendar year 2008, unless the claimant elects in the claimant's homestead credit application to receive a rebate.

e. Notwithstanding subsection b. of this section, if the director determines that homestead benefits for a particular tax year cannot be administered and delivered as credits efficiently, the director may remit homestead benefits for that year as rebates.

(cf: P.L.2007, c.62, s.25)

2. This act shall take effect immediately.

STATEMENT

This bill changes the payment method for some benefit recipients under the New Jersey Homestead Property Tax Credit program (N.J.S.A.54:4-8.57 et seq.), which is also known as the Homestead Benefit Program. Specifically, the bill requires the direct payment of a homestead benefit to a claimant if the claimant requests the direct payment following the sale of the claimant’s qualifying homestead. The bill grants the Division of Taxation the discretion to select a specific direct payment method.

With limited exceptions, all claimants currently receive their homestead benefits as a credit against their property tax bill. This disbursement method risks shortchanging claimants who sell their qualifying homesteads after filing a homestead benefit application. This is so because the division will apply the benefit against the property’s tax bill even if the property’s ownership has changed.

The Division of Taxation advises on its webpage that homestead benefit claimants who sell their homes after applying for a homestead benefit take credit therefor at the closing of the property sale. Often, however, property sellers are unaware of the division’s advice and lose the benefit to which they are entitled.

This bill ends the unnecessary misallocation of homestead benefits. It empowers claimants to request the benefits’ direct disbursement to them if they sell their homes after filing a homestead benefit application.