LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2472
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 4, 2020

SUMMARY

Synopsis: Caps interest rate for redemption of tax liens at nine percent per year.

Type of Impact: Indeterminate impact on municipal finances.

Agencies Affected: Municipal governments.

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
Municipal Finances		Indeterminate Impact	

- The Office of Legislative Services (OLS) estimates that enactment of the bill would result in an indeterminate impact on municipal government finances.

- By lowering the cap on the interest rate for the redemption of a tax lien from 18 percent per year to nine percent per year, the OLS notes that there is a potentially increased probability of individuals with delinquent property taxes being able to redeem the tax sale certificate from the investor prior to foreclosure.

- However, while there is a potentially increased probability of property owners in arrears being able to pay off the tax lien, this would not directly impact a municipality's finances, as this interest rate is the rate to be paid by the delinquent taxpayer to the investor to pay off the tax lien.

- Finally, the OLS does not have sufficient information to predict how the actions of investors in tax liens may or may not change as a result of the bill.

BILL DESCRIPTION

This bill would cap the interest rate for the redemption of a tax lien to nine percent per year. Current law caps that interest rate at 18 percent per year.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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At a tax sale, title to the delinquent property itself is not sold. What is sold is a tax sale certificate on late property tax payments, representing a lien on the property. Under current law, tax sale certificates can earn interest of up to 18 percent, depending on the winning (lowest) percentage bid at the auction. This bill proposes to lower that cap from 18 percent to nine percent. After two years, if the property owner does not redeem a lien, a lien holder can begin proceedings in Superior Court to foreclose on the property. If foreclosure is perfected, then the name on the deed is changed to that of the lien holder who can then take possession of the property.

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Section:	*Local Government*
Analyst:	*Benjamin A. Levy* *Assistant Fiscal Analyst*
Approved:	*Frank W. Haines III* *Legislative Budget and Finance Officer*

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.).