SENATE, No. 2734

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JULY 28, 2020

Sponsored by:
Senator PATRICK J. DIEGNAN, JR.
District 18 (Middlesex)

SYNOPSIS

Permits calculation of reserve for uncollected taxes for calendar year 2021 or fiscal year 2022 using actual property tax collections for calendar year 2019 or fiscal year 2020.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning the calculation of the reserve for uncollected taxes in municipal budgets.

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

1. a. For the purpose of determining the amount of the appropriation for "reserve for uncollected taxes" required to be included in each annual budget where less than 100 percent of current tax collections may be and are anticipated, anticipated cash receipts shall be as set forth in the budget of the current year, and in accordance with the limitations of statute for anticipated revenue from, surplus appropriated, miscellaneous revenues and receipts from delinquent taxes.

b. Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated:

(1) In an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year; or

(2) In an amount which is not in excess of the percentage of taxes levied and payable during the fiscal year preceding the fiscal year coinciding with any day between March 9, 2020 and June 30, 2020.

c. For any municipality in which tax appeal judgments have been awarded to property owners from action of the county tax board pursuant to R.S.54:3-21 et seq., or the State tax court pursuant to R.S.54:48-1 et seq. in the preceding fiscal year, the governing body of the municipality may elect to determine the reserve for uncollected taxes by using the average of the percentages of taxes levied which were received in cash by the last day of each of the three preceding fiscal years or the three preceding fiscal years prior to the fiscal year coinciding with any day between March 9, 2020 and June 30, 2020. Election of this choice shall be made by resolution, approved by a majority vote of the full membership of the governing body prior to the introduction of the annual budget pursuant to N.J.S.40A:4-5.

d. The director may promulgate rules and regulations to permit a three-year average or a three-year average prior to the fiscal year coinciding with any day between March 9, 2020 and June 30, 2020 to be used to determine the amount required for the reserve for uncollected taxes for municipalities to which subsection c. of this section is not applicable.

2. This act shall take effect immediately and shall expire on January 1, 2023.

STATEMENT

The bill permits municipalities to calculate the amount of the appropriation for the reserve for uncollected taxes in calendar year 2021 or fiscal year 2022 based on tax collections in the municipal budget prior to the COVID-19 pandemic (calendar year 2019 or fiscal year 2020).

Municipalities are required to provide 100 percent of the tax levy for their municipality, their school district, any special districts, and their county, regardless of the actual collection rate. To cover any shortfalls in the 100 percent collection rate, the municipality must budget a non-spending appropriation through a budget line item known as the reserve for uncollected taxes

Under current law, municipalities may choose one of three methods to determine the amount of the appropriation for the reserve for uncollected taxes: the previous fiscal year's tax collections, the average percentage of tax collections in each of the previous three fiscal years, or the certified tax levy of the prior year subtracted by the amount of the tax levy adjustments resulting from property tax appeal judgments.

Decreased tax collections in the current municipal budget year due to the COVID-19 pandemic would decrease the tax collection rate and increase the amount to be appropriated in next year's budget for the reserve for uncollected taxes, potentially adding pressure on local property taxpayers. As a result, the bill would grant localities the option to use the fiscal year preceding the fiscal year coinciding with any day between March 9, 2020 and June 30, 2020 in the method it uses to determine its reserve for uncollected taxes.