

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 2734

STATE OF NEW JERSEY

DATED: SEPTEMBER 21, 2020

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 2734.

This 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).

A municipality is required to provide 100 percent of the tax levy for the municipality, its school district, any special districts, and its 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.