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State Comptroller Report Identifies Plan to Save Millions of Dollars for Property Tax Relief Programs by Fixing Administrative Flaw

An Office of the State Comptroller (OSC) investigation has found that the state can potentially save millions of dollars annually for its property tax relief programs by fixing a blind spot in the sharing of data that is already being collected by local officials.

The OSC report, released today, estimates that thousands of homeowners have received larger property tax credits than they were entitled to because they inaccurately claimed to occupy 100 percent of a multi-unit property when applying for the Homestead Property Tax Credit program, the Property Tax Reimbursement program and the state Property Tax Deduction.

As part of its report recommendations, OSC has asked the state Division of Taxation to require local tax assessors to report information regarding the number of dwelling units for each property in their municipality. Such data is already being collected by local tax assessors and could easily be included with property information currently being reported to the state, OSC found.

“Our report identifies a gap in the oversight of property tax relief programs and it offers a clear solution for closing that gap,” said Acting State Comptroller Marc Larkins. “The state can save millions of dollars a year by requiring local tax assessors to report already known information. We look forward to continuing to work with the state Division of Taxation to ensure that dollars set aside for property tax relief are spent appropriately and as the law intended.”

The Division of Taxation has begun to take steps toward the implementation of OSC's recommendations. In response to the investigation, Taxation has already sent letters seeking adjustments from 3,771 taxpayers who received a full rebate from the Homestead Property Tax Credit program even though their properties were designated as multi-unit. The state anticipates recovering more than \$1.6 million from that effort.

OSC recommends that Taxation also attempt to identify all other property owners who improperly received a 100 percent credit from the Homestead Property Tax Credit, Property Tax Reimbursement and state Property Tax Deduction programs. More than \$1 billion has been budgeted for the three programs in fiscal year 2015 and OSC estimates that such a review could potentially save the state millions of additional dollars.

Homestead credits are available to New Jersey homeowners who meet certain income limits as well as other guidelines. The Property Tax Reimbursement program provides reimbursements to eligible senior citizens and disabled citizens to offset property tax increases to their principal residence. The Property Tax Deduction reduces gross income taxes for eligible homeowners and tenants who pay property taxes.

The amount of rebates and credits for all three programs are adjusted downward when eligible homeowners do not occupy 100 percent of a multi-unit property. For example, the owner of a two-family home who occupies only one of two equally sized units would only be entitled to 50 percent of the total Homestead Property Tax Credit.

OSC's investigation began with a tip from the general public alleging that eight homeowners in the Town of Kearny were receiving a larger homestead credit than they were otherwise entitled to because a portion of their residence was occupied by other tenants. Investigators then determined that seven of the eight homeowners had, in fact, received overpayments totaling \$2,897.

In order to ascertain whether the overpayments were occurring on a statewide basis, OSC collaborated with the Division of Taxation to identify properties whose owners received 100 percent of the homestead credit and had addresses that were listed on more than one State tax return. The search yielded a list of approximately 65,000 addresses.

From that list, OSC took a closer look at 101 properties and ultimately determined that homeowners at 29 of them received \$9,000 more in rebates than they were entitled to because they inaccurately reported occupying 100 percent of their property. On average, OSC found, the homeowners received a rebate that was 55 percent higher than the amount they were entitled to receive.

From that group of 29 homeowners, OSC also identified four homeowners who received excessive property tax reimbursements totaling more than \$1,500 and 12 homeowners who claimed excess property tax deductions totaling more than \$48,000.

The names of the 29 property owners who received excessive rebates – as well as the seven homeowners in the Town of Kearny – have all been referred to the state Division of Taxation.

Members of the public can report information regarding waste, fraud or misconduct in local or state government to OSC's toll-free hotline, 1-855-OSC-TIPS, or to comptrollertips@osc.nj.gov.

The full report is available on OSC's website: www.state.nj.us/comptroller