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Local Finance Notice

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Implementing the Municipal Library Tax Levy Law (Revised) P.L. 2011, c. 38 (S-2068)

This Local Finance Notice supersedes and replaces the guidance contained in Notice 2011-13, which is repealed. This Notice provides an improved process that is consistent with other financial transactions related to the fiscal relationship of municipalities and public libraries covered under [P.L. 2011, c. 38 \(S-2068\)](#), enacted and taking effect on March 21, 2011.

The law provides a dedicated line item on property tax bill to fund municipal free and joint free public libraries. It does not result in any increased taxes, but changes the way the minimum library appropriation is displayed to the public.

The implementation procedure maintains budgeting the minimum 1/3 mill of equalized value in a budget appropriation, but deducts that amount from the tax levy in the calculation of the Amount to Be Raised by taxes for Support of the Municipal Budget. This reduces the municipal tax levy and rate, creates a new line item and tax rate on the tax bill for municipal library purposes, maintains a neutral cap levy, and maintains the library appropriation as part of the municipal budget to facilitate library related transactions.

The law affects only those municipalities that fund a free municipal or joint municipal library in their budget ("municipal" or "public" library). It does not affect contributions to private libraries or reading rooms (N.J.S.A. 40:54-35), or county libraries. The move to a separate library tax levy does not change existing financial, operational, personnel, or other relationships between a municipality and its library; it only changes the mechanism that property taxes for the library are raised.

The implementation procedure treats the minimum appropriation as a deduction to the 2011 levy cap. Any supplemental funds a municipality may raise for municipal library purposes remain in the budget and are subject to the 2011 levy cap. Both the minimum appropriation and any supplemental appropriation remain exceptions from the 1977 appropriation cap law.

The municipal library levy is treated as any other taxing district and paid quarterly to the library. The provisions of N.J.S.A. 15:21-12.4 addressing quarterly payments from the municipality to the library, or held by the municipality pursuant to approval of the library board remains in place. The Division recommends that payments to the Board be made within 20 days of the quarterly tax due date.

The law has immediate impact on CY 2011 and SFY 2012 budgets in municipalities that have municipal libraries. The impact of the law on SFY 2011 budgets pending amendment will be pursuant to the determination of the Director of the Division of Local Government Services given the status of each budget. SFY 2012 budget guidance to be issue by the Division later this spring will include this information as well.

Budget and Levy Cap Presentation Requirements

Both Chapter 38 and the Property Tax Levy Cap Law require a cap base adjustment in 2011 to reflect the change of the minimum library appropriation to a tax levy and to ensure there is “no net impact on the amount of the adjusted tax levy available to the municipality for non-library purposes.” Because some 2011 municipal equalized value are lower than 2010, this requires two approaches to maintain cap neutrality. In both cases, the change to a tax levy is treated as a “Change in Service Provider” on the CY 2011 Levy Cap Workbook.

- 1) When the equalized value increased over the two years, the 2010 minimum library appropriation is used as the amount of Change in Service Provider.
- 2) When the 2011 equalized value is less than 2010, the 2011 minimum library appropriation is used as the Change in Service Provider amount.

As noted above, any municipal supplement of the municipal library tax levy is subject to levy cap. The law does not change any provision of N.J.A.C. 15:21-12.1 et seq. This rule addresses municipal charges of eligible cost to municipal libraries.

Prior to adoption, municipal budgets with municipal library appropriation must address the following:

1. Reflect the minimum appropriation as a “Change in Service Provider” on line A-5 of the Levy Cap Workbook as described above. This is a one-time entry for CY 2011 and SFY 2012. This will reflect the adjusted tax levy cap on the Summary Levy Cap Calculation worksheet.

2. Include the desired municipal appropriation for the municipal library in the budget as done in the past.
3. Insert amended budget Sheets 11 and 41 into the State budget document.
 - a. Sheet 11 has been modified with the insertion of line 6c to reflect the separate Minimum Library Levy.
 - b. Insert the Minimum Library Levy on new line (e) and Line 5 on Sheet 41.
 - c. If the budget has not been introduced, provide an explanation in the Budget Message about the change.
 - d. Sheet 38 is unchanged.
4. Budgets that have been introduced showing no minimum library levy will have to be amended prior to adoption.
5. Budgets that have been adopted as of the release of this Notice will be amended by the Division to properly reflect the redistribution as part of the tax levy certification to the County Board of Taxation.

A worksheet with the amended Sheets 11 and 41 is included as an attachment to the original email transmitting this Notice. It is also posted online under [CY 2011 Budget Forms](#). The changes on these forms should be integrated with the municipality's budget form.

Tax Related Details

Commencing with the August 2011 (3rd quarter) billing, the law requires the creation of a new line item on the tax bill titled "Public Library Tax."

The Division of Local Government Services will include the municipal library tax levy (Sheet 11, 6c) in its tax levy certification to county Boards of Taxation. County Boards will include the levy and calculate a municipal library tax rate when the extended tax duplicate is prepared. Tax Collectors must work with their tax billing service provider to ensure the new line item will be properly presented on the tax bill.

Because quarterly installments are based on the total tax levy, there is no need to make an adjustment to reflect that there was no 1st and 2nd quarter public library tax as the library levy was embedded in the municipal levy. The tax rate for 2011 will reflect the correct levy and tax rate based on the adopted budget (no library levy) and the public library levy (full levy).

The Tables of Aggregates and Abstracts of Ratables prepared by County Tax Boards will be modified through changes in MOD IV later this year to show a new column for Municipal Public Library on those documents (similar to the County Library Tax line for those municipalities that have one).

Municipalities that include explanatory statement with their tax bills are urged to provide an explanation to their taxpayers about the change in library funding. This should include a statement that the change does not increase or decrease total taxes, but reduces the municipal levy by the amount of the minimum required public library tax.

The following text is provided as a guide to assist municipalities providing information to their taxpayers (*the italicized text* requires the insertion of the name of the library).

“For the first time, this property tax bill shows a separate line item showing the minimum required appropriation for the *<insert name of library>* as a separate tax levy pursuant to a recently enacted State law (P.L. 2011, c.38). The municipal tax levy was reduced by the same amount as the new library tax levy. This change does not result in a property tax increase and is to help you better understand the costs of library services reflected in your tax bill.”

Accounting Related Transactions

Because the library appropriation is part of the municipal budget, there is no required change in the way municipalities treat allocation of eligible costs or payment of library obligations. Local officials should act immediately to make necessary changes to their budgets. Questions on implementation can be emailed to the Division at dlgs@dca.state.nj.us.

Thomas H. Neff, Director

Table of Web Links

| Page | Shortcut text | Internet Address |
|-------------|-----------------------------|---|
| 1 | P.L. 2011, c.38 (S-2068). | http://www.njleg.state.nj.us/2010/Bills/S2500/2068_R1.PDF |
| 2 | N.J.A.C. 15:21-12.1 et seq. | http://www.njstatelib.org/LDB/Library_Law/NJAC 15 21-12 MUNICIPAL LIBRARY APPROPRIATION.doc |
| 2 | CY 2011 Budget Forms | http://www.nj.gov/dca/lgs/fiscal/budmenu.shtml#CYBudForms |