

**LOCAL FINANCE NOTICE**CHRISTINE TODD WHITMAN  
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**Tenants' Property Tax Rebate Program Amendments**

Revision of the Tenants' Property Tax Rebate Program, N.J.S.A. 54:4-6.2 et seq., took effect on June 1. The revision has three main elements and several lesser ones. Individually and together they should reduce both the incidence of tenant rebates and the workload of tax collection offices. This Notice reviews the changes and provides guidance to tax collectors on implementing the law. It also includes a revised copy of the "Guide to the Revised Tenants' Property Tax Rebate Act," which, in addition to explanations, includes a copy of the law and the proposed rules implementing the Act.

Practically, implementation will start around late August/early September when the first Tax Reduction (Rebate) Notices are mailed to landlords, on the heels of the first tax bills.

Key changes in the law include:

1. The threshold starts at four rental units. (It is expected to go to five later on, pursuant to proposals now before the Legislature.) This eliminates most condominium units.
2. Landlords who realize tax savings from assessed valuation reductions will keep those savings; they will not be rebatable. Nor will the savings from tax rate reductions that occur in the same year.
3. Landlords in rent-controlled communities that do not permit automatic rent increases when taxes increase will be exempt from tenant rebates. You will know if your community is one of them.

**Guidance for Collectors and Others**

The Guide explains the changes in the Act and rules and their effect on landlords, tenants, and tax collection offices. It includes the text of the new law and revised regulations (N.J.A.C. 5:33-3.1 et seq.), along with guidance in the arithmetic of rebate calculation.

You and your staff will want to get conversant enough with the new provisions to answer inquirers' questions, without their having to phone "Trenton." If the Guide does not help, the Rebate Program office is your immediate resource. Several hotline numbers are provided. The first, for collectors only, is the program office, (609) 292-1430.

The second, for tenants and landlords, is their "last resource" in case you have been unable to answer them satisfactorily: (609) 984-5076. This is chiefly a voice-mail number; it may back up at busy times. Other numbers for homeowners, landlords, and tenants are also given in the Guide.

Director's Office  
Fax  
(609) 292-6613Local Government  
ResearchFinancial Regulation  
and AssistanceLocal Finance  
BoardLocal Management  
ServicesAuthority Regulation  
(609) 984-0132

## Details of Amendments

Beneficiary Shift: Since 1991, tenants have been the sole beneficiaries of landlord tax savings, through rent reduction rebates. Now, landlords will keep the full amount of whatever savings accrue when their assessed valuations are reduced - administratively or by tax appeal judgments - and, when tax rates are reduced in the same year. Tenants will get rent reduction rebates only when tax rates alone are reduced.

Handling of revaluations and reassessments is changed. When those events result in tax reductions, tenants will get a rebate the first year, then the new assessment will become the base year and no rebate will be due in the following year.

Tax collectors, apartment owners, and apartment dwellers in at least 440 municipalities are affected. Those are the municipalities with apartment buildings of five or more units - Class 4c on assessment records. The program, however, starts with buildings of four units. (It drops all those between one and three that have been beneficiaries since 1991, or even the prior period dating from 1976 when the law was first adopted.) That group is not officially classified in MOD IV. Collectors must locally determine the four-unit properties and use the MOD IV flag field to identify them (see Sections 8 and 9 of the Guide).

New Exemptions: In addition to changing the "qualified property" definition to exclude all (including owner occupied ) structures of less than five units (and excluding condominiums), two new exceptions are added to the definition. One is for buildings subject to a tax abatement agreement, until the agreement expires. The other is for buildings in some of the 100 and some rent-controlled communities — those whose ordinances don't allow automatic rent increases when taxes increase.

Compliance Enforcement: The tenant rebate law has been essentially self-enforcing. It still will be, compliance depending almost entirely on the integrity and good faith of landlords.

The only specific enforcement mechanisms have been the authority granted tenants to take their case to municipal court, and "double jeopardy," the liability of landlords to pay double in cases decided against them.

The "local enforcement agency" cited in the law as able to make complaints alleging landlord default has in the past been taken not to mean either tax collectors or rent leveling boards. These have had no statutorily assigned enforcement duty. Collectors have routinely "received and filed" landlord certificates — all that the law requires; few, if any, have employed pro-active follow-up procedures such as matching certificates received with notices sent, sending reminder notices, or initiating court complaints. A governing body can, by a local ordinance (see N.J.A.C. 5:33-3.9), assign a rent control agency responsibility to enforce the law.

MOD IV Changes: Earlier this year, the MOD IV was updated to reflect the changes brought on by the law. When the program is run, it will correctly prepare Rebate Notices. Questions concerning these changes can be brought to your MOD IV data center, or to the Rebate Program Office.

Generally speaking, the administration of the law remains the same. What has changed is the effect of tax appeals, the scope of qualified properties, and some procedures that are detailed in the Guide. Please take time to read the Guide, and phone if you have questions — although we've tried to anticipate the common ones and answer them in the text.

Ulrich H. Steinberg, Jr.

Division of Local Government Services

Enclosure

Distribution: Tax Collectors, County Tax Administrators