

What Landlords Need to Know About the New Jersey Tenants' Property Tax Rebate Program

New Jersey Division of Local Government Services

Many owners of rental properties with five or more units may soon receive a Rebate Notice from their municipal tax collector telling them that they have to rebate some money to their tenants. Why? Recent infusions of State aid to many municipalities and schools have resulted in property tax decreases or credits that the State's Tenants' Property Tax Rebate Program requires to be rebated to tenants.

With changes to the Program made in 1998 (P.L. 1998, c. 15) that went into effect on June 1, 1999, significant changes were made to reduce the number of properties and the circumstances under which landlords are required to rebate reductions in property taxes. See the sidebars that list the types of properties that are excluded from the program and the circumstances under which rebates do not have to be made.

Basically, owners of qualified properties with five or more units have to return to tenants property tax decreases that are the result of increases in State aid to municipalities and schools that reduce taxes. In addition, a new State program, the Regional Efficiency Aid Program (REAP) requires rebates even if taxes do not go down. Why? REAP is a new type of program (N.J.S.A. 54:4-8.76) that grants a reduction in property taxes directly to eligible properties, not to the budgets of local governments and schools. In 2000, in the 131 municipalities that participated in the program, Rebate Notices mailed to landlords will show the amount of REAP credits, that, regardless of whether or not total property taxes were reduced, must be passed through to tenants as rent credits or refunds. Information on the Rebate Notice contains information on REAP and how to make rebates.

Generally, rebates must be provided within 30 days of receiving the Notice and if the Notice is received by November 1, the rebate must be completed by the end of the year. Rebates

are proportionally shared among all tenants, based on the number of months the tenant occupied the rental unit. The Notice includes details on how to distribute the rebate.

The law provides penalties for landlords that fail to provide a rebate to his or her tenants when it is due, or who knowingly and willfully fails to provide or post any notice, certification, or information required by the law. Penalties are not more than \$100.00 for each offense.

Additional information on the program can be found on the State's web site at www.state.nj.us/tenreb. The State Division of Local Government Services also has a hotline at 609-984-5076 that can provide guidance, as can the tax collector in the municipality. The New Jersey Apartment Association can also provide assistance. Please remember that only the tax collector can provide information about the amount of any tax reductions; the State does not have that information.

Circumstances Under Which Rebates Must Be Made To Tenants

A rebate is triggered is when the property tax rate in the current year has dropped, compared to 1998, which is called the "base year" (N.J.S.A. 54:4-6.3). The base year will often be later if the following circumstances are met:

- Any calendar year after 1998 in which property taxes levied for qualified property exceed the property taxes levied for 1998 for that property;
- The first calendar year after 1998 in which property taxes levied for qualified real rental property is first offered for rent or lease;
- The first full calendar year after 1998 in which qualified real rental property is no longer subject to a tax exemption or tax abatement program;
- A calendar year subsequent to 1998 in which the property tax calculation reflects an assessment reduction from the prior base year assessment; or
- A calendar year subsequent to 1998 in which the property taxes paid in the base year and the property taxes paid in the current year do not reflect consistent budgetary and tax lien components because sewer, solid waste or similar services provided through a taxing entity budget and reflected in the tax rate are changed to a separately billed user fee.
- The first year of municipality wide revaluation which resulted in a reduced assessment, and thus a lower property tax bill, and then only for the first year.

In addition, rebates are required anytime if the property receives a REAP property tax credit.

Definition of "Qualified" Properties for the Tenants' Property Tax Rebate Program

Only residential rental properties in which five* or more dwelling units are rented or offered for rent are eligible for the Tenants' Property Tax Rebate. Excluded are:

- Hotels, motels, and other guesthouses serving transient or seasonal guests;
- Buildings or structures which are subject to an abatement agreement under which reduced or no property taxes are paid on the improvement pursuant to statute, notwithstanding that payments in lieu of taxes are paid in accordance with the agreement;
- Buildings or structures located in municipalities in which a rent control ordinance that does not provide for an automatic increase in the amount of rent permitted to be charged by a property owner upon an increase in the amount of property tax levied upon the property is in effect for the base year and the current year;
- Dwelling units in a residential cooperative or mutual housing corporation;
- Dwelling units in a condominium, other than those occupied by qualified tenants under the "Tenant Protection Act of 1992." P.L. 1991, c. 509 (N.J.S.A. 2A:18-61.40 et seq.);
- Dwelling units in a continuing care retirement community;
- Dwelling units within residential health care facilities, assisted living facilities, facilities with a Class C license pursuant to the "Rooming and Boarding House Act of 1979" [P.L. 1979, c. 496 (N.J.S.A. 55:13B-1 et al)], or similar facilities for which occupancy is conditioned on receipt of medical, nursing or personal care services for the residents and the cost thereof is included in the rent.

Owners of rental properties with less than five dwelling units for rent are excluded from the Tenants' Property Tax Rebate Program.

* At this writing the law has a limit of four; a bill that is expected to be signed into law in late August will increase it to five.

Municipalities Receiving REAP Property Tax Credits in 2000

County	Municipality	County	Municipality	County	Municipality	County	Municipality	
Atlantic	Absecon City	Burlington	Bordentown Township	Gloucester	Clayton Borough	Morris	Boonton Township	
	Buena Vista Township		Edgewater Park Township		Elk Township		Long Hill Township	
	Egg Harbor City		Hainesport Township		Franklin Township		Montville Township	
	Estell Manor City		Medford Lakes Borough		Glassboro Borough		Wharton Borough	
	Galloway Township		Medford Township		Mantua Township		Ocean	Barnegat Light Borough
	Hamilton Township		North Hanover Township		Woodbury Heights Borough			Jackson Township
	Margate City		Willingboro Township		Hudson		Guttenberg Town	Ocean Township
	Mullica City		Camden		Barrington Borough		North Bergen Township	Plumsted Township
	Pleasantville City				Berlin Borough		Union City City	Point Pleasant Borough
Bergen	Somers Point City		Clementon Borough	Weehawken Township	Passaic	Ringwood Borough		
	Allendale Borough		Gibbsboro Borough	West New York Town		Totowa Borough		
	Bogota Borough		Haddon Heights Borough	Hunterdon	Delaware Township	Wayne Township		
	Carlstadt Borough		Hi-nella Borough		Frenchtown Borough	Salem	Mannington Township	
	Elmwood Park Borough		Lindenwold Borough		Lebanon Borough		Carneys Point Township	
	Englewood City		Magnolia Borough		Lebanon Township		Penns Grove Borough	
	Garfield City		Pine Hill Borough	Mercer	Ewing Township		Pennsville Township	
	Hasbrouck Heights Borough		Somerdale Borough		Hightstown Borough		Pittsgrove Township	
	Ho-Ho-Kus Borough		Waterford Township		Hopewell Township		Salem City	
	Lodi Borough		Woodlynne Borough		Pennington Borough		Upper Pittsgrove Township	
	Lyndhurst Township	Cape May	Avalon Borough	Middlesex	Cranbury Township	Somerset	Bridgewater Township	
	Maywood Borough		Lower Township		Dunellen Borough		Franklin Township	
	Midland Park Borough		Middle Township		Highland Park Borough		Green Brook Township	
	Moonachie Borough		Woodbine Borough		Jamesburg Borough		Manville Borough	
	New Milford Borough	Cumberland	Hopewell Township		Metuchen Borough		North Plainfield Borough	
	Ramsey Borough		Shiloh Borough		Monroe Township		Raritan Borough	
	River Edge Borough		Upper Deerfield Township		South Amboy City		Somerville Borough	
	Saddle Brook Township		Vineland City	Monmouth	Allentown Borough	Sussex	Franklin Borough	
	South Hackensack Township	Essex	Maplewood Township		Brielle Borough		Hardyston Township	
	Waldwick Borough		Montclair Township		Howell Township		Vernon Township	
Wood-Ridge Borough		Newark City		Manasquan Borough	Warren	Allamuchy Township		
Wyckoff Township		Orange City		Sea Bright Borough		Hackettstown Town		
		South Orange Village		Shrewsbury Borough		Hardwick Township		
				Spring Lake Borough		Knowlton Township		
				Tinton Falls Borough				