

# ASSEMBLY LOCAL GOVERNMENT COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 1185

# STATE OF NEW JERSEY

DATED: MARCH 2, 2000

The Assembly Local Government Committee reports favorably Assembly Bill No. 1185.

This bill directs the Director of the Division of Taxation in the Department of the Treasury to establish a pilot program to enable certain distressed municipalities to adopt ordinances to implement a dual real property tax rate system. Under this type of property tax system, land is taxed at a higher rate than improvements on the land in order to encourage development and redevelopment. The bill authorizes three municipalities, located in different parts of the State, to participate in the pilot program. The municipalities are Irvington Township in Essex County, Asbury Park City in Monmouth County and Camden City in Camden County. Each of these municipalities has significant areas in need of rehabilitation.

Under the bill, five years following the adoption of a dual real property tax rate system by any of the authorized municipalities, the Director of the Division of Taxation, in consultation with the Director of the Division of Local Government Services in the Department of Community Affairs, is required to report to the Legislature on what effect, if any, a dual real property tax rate system is having on encouraging redevelopment in the participating municipality. The director also would be charged with recommending whether the program should be extended to other municipalities.

The constitutional authority to establish a pilot program to study the effects of a dual real property tax rate system is found in Article VIII, Section I, paragraph 6 of the New Jersey Constitution. That provision authorizes laws to enable municipalities to adopt ordinances granting exemptions and abatements from taxation for up to five years on buildings and the land upon which those buildings are erected or which are necessary for the fair enjoyment of the buildings. A dual tax rate, which taxes improvements at a lower rate than land, would result in a de facto exemption or abatement from taxation on buildings as permitted under that paragraph. In designing the specifics of the pilot program the Director of the Division of Taxation would be subject to the constitutional requirement that the dual tax rates be imposed only in areas declared to be in need of rehabilitation in the three municipalities. One criterion that makes these three municipalities

especially suitable to participate in the pilot program is that most, if not all, of the territory comprising the municipalities would qualify as areas in need of rehabilitation under current law.

This bill was prefiled for introduction in the 2000 session pending technical review. As reported, the bill includes changes required by technical review, which has been performed.