P U B L I C   H E A R I N G

before

SENATE COUNTY AND MUNICIPAL GOVERNMENT COMMITTEE

SENATE BILL 2560

(Provides deferrals of post-revaluation property tax increases for certain senior and disabled homeowners)

August 10, 1988
Jersey City Council Chambers
Jersey City, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Richard Van Wagner, Chairman
Senator Thomas F. Cowan, Vice Chairman
Senator Frank X. Graves, Jr.

ALSO PRESENT:

Assemblyman Anthony Impreveduto
District 32

Hannah Shostack
Office of Legislative Services
Aide, Senate County and Municipal Government Committee

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Hearing Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625

PUBLIC HEARING

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New Jersey State Legislature
SENATE COUNTY
AND MUNICIPAL GOVERNMENT COMMITTEE
STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625
TELEPHONE: (609) 292-1596

AUGUST 5, 1988

NOTICE OF PUBLIC HEARING

The Senate County and Municipal Government Committee will hold a public hearing on Senate Bill No. 2560 on Wednesday evening, August 10, 1988 at 7 p.m. in the Jersey City Council Chambers, 280 Grove Street, Jersey City, New Jersey.

S-2560 Cowan	Provides deferrals of post-revaluation property tax increases for certain senior and disabled homeowners.

Anyone wishing to testify should contact Hannah Shostack, Committee Aide to the Senate County and Municipal Government Committee, at (609) 292-1596.

SENATE, No. 2560

STATE OF NEW JERSEY

INTRODUCED MAY 19, 1988

By Senators COWAN, O'CONNOR, JACKMAN, VAN WAGNER, McMANIMON, RICE and CONNORS

AN ACT concerning the deferral of the payment of certain real property taxes by certain residents of the State, amending R.S. 54:5-19, supplementing Title 54 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. (New section) This act shall be known and may be cited as the "Senior and Disabled Citizens' Revaluation Property Tax Increase Deferral Act."

2. (New section) The Legislature finds and declares that:

a. Many of the State's senior and older disabled citizens own their homes mortgage-free, or with small mortgage balances; however, many of these citizens have low incomes, and their property taxes impose a heavy burden;

b. The financial burdens imposed upon low income senior and disabled citizens by ever-increasing health care costs and other expenses, coupled with financially devastating property tax increases after a revaluation, threatens home ownership among these citizens;

c. Many of these citizens who wish to remain in their homes have accrued significant equity in those homes, but their low incomes limit their ability to tap that equity;

d. The private financial sector has been slow to devise approaches that would permit senior and older disabled citizens to use their primary asset, their home, to borrow funds for current needs;

e. This State has offered elderly homeowners certain property tax assistance through annual deductions and rebates, but these programs often do not adequately address the needs of low income senior and disabled citizens from post-revaluation induced property tax increases; and;

f. It is, therefore, in the best interests of the older disabled

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined <u>thus</u> is new matter.

and the senior citizens of this State, and a compelling public purpose, to establish a deferral program permitting these citizens to defer post-revaluation induced property tax increases.

3. (New section) As used in this act:

a. "Average residential assessment ratio" means the percentage derived by dividing the aggregate residential assessed valuation within a municipality by the aggregate sales prices of residential properties within that municipality, as determined by the director;

b. "Base year" means the tax year immediately preceding the revaluation year;

c. "Condominium" means the form of real property ownership provided for under the "Condominium Act," P.L. 1969, c. 257 (C. 46:8B-1 eq seq.);

d. "Deferral" means the cumulative postponement of tax increases for each qualified property for the revaluation year and each appropriate tax year thereafter, to be calculated as follows:

$$D = (A-B)$$

Where:

"D" equals the amount of the deferral of property tax increases;

"A" equals the amount of property taxes due and payable for the current tax year; and

"B" equals the amount of property taxes due and payable during the base year.

e. "Director" means the Director of the Division of Taxation in the Department of the Treasury;

f. The "equalized value" of a parcel of qualified property means the assessed valuation of that property, as determined pursuant to chapter 4 of Title 54 of the Revised Statutes, divided by the most recent average residential assessment ratio for the municipality in which that property is situated;

g. "Horizontal property regime" means the form of real property ownership provided for under the "Horizontal Property Act," P.L. 1963, c. 168 (C. 46:8A-1 et seq.);

h. "Post-tax year" means the calendar year immediately following the tax year;

i. "Pretax year" means the calendar year immediately preceding the tax year;

j. "Principal residence" means a residence actually and continually occupied by a taxpayer as his permanent abode, as distinguished from a vacation home, property owned and rented or offered for rent by the taxpayer, and other secondary real property holdings;

k. "Permanently and totally disabled" means total and permanent inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, including blindness. For the purposes of this subsection, "blindness" means central visual acuity of 20/200 or less in the better eye with the use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered as having a central visual acuity of 20/200 or less.

l. "Qualified property" means:

(1) A dwelling house which consists of not more than four units, of which not more than one may be used for commercial purposes, and the land on which it is situated, or the dwelling house alone if situated on land owned by a person other than the owner of the dwelling house, which is owned by and used as the domicile and principal residence of a qualified taxpayer, and which has been so owned and used for not less then three tax years prior to application for a deferral pursuant to this act;

(2) A manufactured home subject to real property taxation pursuant to the "Manufactured Home Taxation Act" P.L. 1983, c. 400 (C. 54:4-1.2 et seq.), together with the land on which it is situated, or the manufactured home alone if situated on land owned by a person other than the owner of the manufactured home, which is owned by and used as the domicile and principal residence of a qualified taxpayer, and which has been so owned and used for not less than three tax years prior to application for a deferral pursuant to this act; and

(3) A condominium unit or a unit in a horizontal property regime, which is owned by and used as the domicile and principal residence of a qualified taxpayer, and which has been so used for not less then three years prior to application of a deferral pursuant to this act;

m. "Qualified municipality" means a municipality which has entered into a contract approved by the director pursuant to P.L. 1971, c. 424 (C. 54:1-35.35 et seq.) for a revaluation of property within its corporate boundaries;

n. "Qualified taxpayer" means a taxpayer who:

(1) Is a senior citizen, or is less than 65 years of age yet permanently and totally disabled; and

(2) Has an annual income not in excess of $13,650.00 if single or, if married, has an annual income, combined with that of his spouse, not in excess of $16,750.00, exclusive of benefits under any one of the following:

(a) The Federal Social Security Act and all amendments and supplements thereto;

(b) Any other program of the federal government or established pursuant to any other federal law which provides benefits in whole or in part in lieu of benefits referred to in, or for persons excluded from coverage under, (a) hereof including but not limited to the Federal Railroad Retirement Act and federal pension, disability and retirement programs; or

(c) Pension, disability or retirement programs of the State or its political subdivisions, or agencies thereof, for persons not covered under (a) hereof; provided, however, that the total amount of benefits to be allowed exclusion by an owner under (b) or (c) hereof shall not be in excess of the maximum amount of benefits payable to, and allowable for exclusion by, an owner in similar circumstances under (a) hereof;

(3) Owns and occupies a parcel of qualified property in a municipality which has determined to implement a property tax increase deferral program pursuant to this act;

o. "Resident" means an individual legally domiciled within this State for a period of not less than three years immediately preceding October 1 of the pretax year. Mere seasonal or temporary residence within the State, of whatever duration, shall not constitute domicile within the State for the purposes of this act. Absence from this State for a period of 12 months shall be prima facie evidence of abandonment of domicile in this State. The burden of establishing legal domicile within the State shall be upon the claimant;

p. "Revaluation" means the revaluation of all real property within the corporate boundaries of a municipality, performed under a contract approved by the director pursuant to P.L. 1971, c. 424 (C. 54:1-35.35 et seq.);

q. "Revaluation year" means the first tax year in which the tax liability of real property within a municipality is determined, pursuant to chapter 4 of Title 54 of the Revised Statutes, on the basis of assessed valuations of the property established by a revaluation within that municipality;

r. "Senior citizen" means a person who is 65 years of age or older;

s. "Taxes deferred" means the amount of real property taxes deferred pursuant to this act;

t. "Tax year" means the calendar year in which the general property tax is due and payable;

u. "Taxpayer" means a citizen and resident of this State who has filed a claim for deferral of tax pursuant to this act; and

v. "Taxpayer's equity" means the equalized value of the taxpayer's qualified property as determined by the municipal tax assessor, less the amount of any liens, judgments or other encumbrances against that property, except that, if the property is appraised at the taxpayer's expense, the taxpayer's equity shall mean the current market value of the property, less the amount of any liens, judgments or other encumbrances against the property.

4. (New section) a. The governing body of a qualified municipality may, pursuant to ordinance, provide that a qualified taxpayer shall be entitled annually, upon proper claim being made therefor, to a deferral of increases in property taxes levied and assessed against a parcel of qualified property. Taxes deferred pursuant to this act shall carry simple interest at a rate to be set forth in the enabling ordinance.

b. There shall be no limitation on the assets of a taxpayer in order to be entitled to a deferral under this section, except that a taxpayer shall not be entitled to a deferral if, within 24 months prior to making a claim therefor, he has made a voluntary assignment or transfer of real or personal property, or any interest or estate in property, for less than adequate consideration.

c. A deferral shall not be allowed for taxes assessed and levied against a parcel of qualified property on which there are any delinquent, nondeferred property taxes or special assessments except that a municipality may, upon application of a taxpayer and subject to the limitations and provisions of this act, waive this requirement for any unpaid property taxes or special assessments on the property as may exist at the time the taxpayer first files a claim for deferral, and may treat these unpaid taxes or assessments as a current tax liability to be deferred under the provisions of this act.

d. A deferral shall not be allowed for any given tax year if the amount of taxpayer's equity in the qualified property is less than 50% of the equalized value of that property for the pretax year or, if that property is appraised at the taxpayer's expense, the amount of the taxpayer's equity is less than 50% of the current market value of the property.

e. A deferral shall not be allowed a qualified taxpayer for any given tax year unless the taxpayer substantiates that the parcel of qualified property for which the deferral is sought is covered by insurance against damage or destruction by fire or natural disaster in an amount adequate to replace the residential structure which constitutes or is part of the qualified property, as appropriate.

5. (New section) The maximum cumulative amount of taxes deferred, including those deferred pursuant to subsection a. of section 4 of this act, plus interest accumulated pursuant to subsection a. of this act, shall not, during any given tax year, exceed 50% of the equalized value of the qualified property for the pretax year or, if the property is appraised at the taxpayer's expense, 50% of the current market value of the property, except that, upon application to the director by a taxpayer who equity exceeds 50% of the equalized or market value of the qualified property, as appropriate, and upon approval of that application by the director, the maximum cumulative deferral may be increased to 80% of the taxpayer's equity in that property.

6. (New section) The surviving spouse of a qualified taxpayer who during his life received a real property tax deferral pursuant to this act shall be entitled to the same deferral so long as the surviving spouse remains unmarried and a resident of the same qualified property with respect to which the deferral was granted, upon the same conditions, with respect to the same

qualified property, notwithstanding that the surviving spouse is under the age of 65 and is not disabled, provided that the surviving spouse is 55 years of age or older at the time of the death of the qualified taxpayer.

7. (New section) No deferral shall be allowed except upon written application therefor, which application shall be on a form prescribed by the director and provided for the use of claimants hereunder by the governing body of the municipality constituting the taxing district in which the claim is to be filed, and approval of the application as provided in this act. Each assessor may at any time inquire into the right of a claimant to the continuance of a deferral hereunder and for that purpose he may require, at any time, the filing of a new application or the submission of such proof as he shall deem necessary to determine the right of the claimant to continuance of the deferral.

8. (New section) An application for a deferral hereunder shall be filed with the assessor of the taxing district and a duplicate shall be filed with the tax collector of the taxing district on or before October 1 of the pretax year except that for the 1988 tax year the application for a deferral may be filed any time during that tax year and the deferral provided for herein shall apply to taxes payable after the date on which the application is approved. The tax collector shall certify to the assessor the value of any outstanding liens on the property for which the application has been submitted. If an application meets the requirements set forth in section 4 of this act, the assessor shall allow a deferral from the taxes assessed against the real property as described therein and shall indicate upon the assessment list and duplicates the approval thereof in such manner as shall be prescribed by the director.

9. (New section) Every fact essential to support a claim for a deferral hereunder shall exist on October 1 of the base year, except as in this section otherwise provided. Every application by a claimant shall establish that he is or will be on or before December 31 of the base year or the date of application, as appropriate, 65 or more years of age or, as of October 1 of the base year or the date of application, as appropriate, is permanently and totally disabled, and that he was, on October 1 of the base year: a. a citizen and resident of this State; b. the

owner of the qualified property for which the deferral is claimed; and c. residing in that qualified property for the requisite amount of time. The application shall also establish that his anticipated income, including, where appropriate, the income of his spouse, for the tax year will not exceed the limits established by this act. In the case of a claim for a deferral by a person who is disabled, the application shall include a physician's certificate verifying the claimant's disability. The director shall promulgate rules and regulations prescribing the form and content of the certificate.

In the case of claims for a deferral authorized by section 6 of this act, every application by a claimant shall establish that he is or will be on or before December 31 of the pretax year 55 or more years of age and was 55 or more years of age at the time of the death of the decedent, remains unmarried and that he was, on October 1 of the pretax year: a. a citizen and resident of this State; b. the owner of the qualified property for which the deduction is claimed; and c. residing in that qualified property for the requisite period of time. The application shall also establish that his anticipated income for the tax year will not exceed the limits established by this act. The assessor of the taxing district shall establish whether the deceased spouse of the claimant received a deferral pursuant to this act.

Every application submitted pursuant to this section shall include a title search report indicating all liens, judgments and other encumbrances against the qualified property.

Except in the case of an appeal filed pursuant to this act, all information contained in any application filed pursuant to this act shall remain confidential.

10. (New section) a. Upon approval of an application for a tax deferral, the tax collector shall note in his records the existence of a contingent liability for taxes in the amount of the deferral which liability shall constitute a lien separate from the tax lien normally attaching to the property. In the event the deferral is subsequently disallowed on the basis of the taxpayer's income, the transfer of title to the property to a person not entitled to the deferral, or on the basis of the failure to meet any other prerequisites required by this act for a tax deferral, the contingent liability shall be reported on any tax search made on

the property for which the deferral was approved.

b. The tax collector shall maintain a record of the total of all deferred taxes. Payment of any deferred taxes shall be credited to this account. In those tax years in which the annual property tax shall be lower than the base year, the difference shall be credited to the balance of any cumulative deferred taxes.

c. Beginning with the first tax year following the implementation of a revaluation the tax collector shall determine the total of the annual deferred taxes of the prior tax year. In a manner consistent with regulations promulgated by the Director of Local Government Services, in the Department of Community Affairs, a percentage of the prior year's total taxes deferred shall appear as a line item in the current year's municipal budget.

11. (New section) a. Every person who is allowed a deferral shall, except as hereinafter provided, file with collector of the taxing district on or before February 1 of the post-tax year a statement under oath of his income for the tax year and his anticipated income for the ensuing tax year, as well as any other information deemed necessary to establish his right to a tax deferral for the ensuing tax year. A person may, in lieu of filing a post-tax year income statement, provide the collector with evidence of his eligibility for benefits under the "Pharmaceutical Assistance to the Aged and Disabled" program, pursuant to P.L. 1975, c. 194 (C. 30:4D-20 et seq.). The collector may grant a reasonable extension of time for filing the statement or evidence required by this section, which extension shall terminate no later than March 1 of the post-tax year, when it shall appear to the satisfaction of the collector, as verified by a physician's certificate, that the failure to file by February 1 was due to illness. In any case when an extension is granted by the collector, the required statement or evidence shall be filed or provided, as appropriate, on or before March 1 of the post-tax year. A statement filed pursuant to this section shall be on a form prescribed by the director, and provided for the use of persons required to make the statement by the governing body of the municipality constituting the taxing district in which the statement is required to be filed. Each collector may require the submission of such proof as he shall deem necessary to verify any statement. Upon the failure of a person to file a statement or

appropriate evidence within the time herein provided or to submit such proof as the collector deems necessary to verify a statement that has been filed, or if it is determined that the income of a person exceeded the limits established by this act for the tax year, his tax deferral for the tax year shall be disallowed and his taxes, to the extent represented by the amount of the deferral for the tax year, shall be payable on or before March 1 of the post-tax year or, where an extension of time for filing has been granted no later than 30 calendar days after the expiration of the extension, after which date if unpaid, the taxes shall be delinquent, constitute a lien on the property, and, in addition, the amount of the taxes shall be a personal debt of the person.

b. If in any year a taxpayer, who previously was allowed a deferral pursuant to this act, is disqualified for failure to meet the requirements of this act, no claim for a deferral shall be allowed for that tax year. A deferral for any previous tax years, and its accruing interest, shall be continued until the deferred tax becomes payable pursuant to section 13 of this act. Nothing in this subsection shall prevent a taxpayer from filing a claim for deferral in any subsequent tax year.

12. (New section) a. A claim having been filed with and allowed by the assessor on and after the effective date of this act shall continue in force from year to year thereafter without the necessity of further claim so long as the taxpayer shall be required annually to establish, by post-tax year statement or other appropriate evidence, as provided for in this act, his income for the tax year, his anticipated income for the ensuing tax year, and his compliance with all other prerequisites for eligibility for the tax deferral for the ensuing tax year. The assessor may at any time require the filing of a new application or such proof as he may deem necessary to establish the right of the taxpayer to continuance of the deferral. It shall be the duty of every taxpayer to inform the assessor of any change in his status or property which may affect his right to continuance of the deferral.

b. On or before October 1 of the pre-tax year, the collector of each taxing district shall submit to the tax assessor of that district a list of outstanding liens and their dollar total amount for every property for which a deferral has been granted pursuant to this act, including the liens for property taxes, and interest thereon, deferred to date. The tax assessor shall compare the list of those properties with their respective equalized or market values, and disqualify from further property tax deferrals any property for which the total amount of such liens exceeds 50% of its equalized or market value, as the case may be, or for which the liens for property taxes deferred to date exceed 80% of the taxpayer's equity therein, as appropriate. Any property taxpayer who has been precluded from eligibility for further property tax deferrals shall be so notified.

13. (New section) All deferred property taxes, including accrued interest thereon, shall become payable when:

a. The taxpayer dies without a surviving spouse qualified under section 6 of this act, or a surviving spouse so qualified dies;

b. The tax deferred property is conveyed, or some person other than the taxpayer becomes the owner of the property; or

c. The tax deferred property is no longer the principal residence of the taxpayer, except in the case of a taxpayer required to be absent from the tax deferred property by reason of health.

14. (New section) Whenever an event listed in section 13 of this act occurs, the deferral of taxes for the tax year subsequent to the year in which the event occurs shall be disallowed, and the amounts of deferred property taxes, including accrued interest thereon, for all years prior to and including the year in which the event occurs shall be due and payable to the collector 90 days after the day on which the event occurs, except that when the taxpayer dies these amounts shall be due and payable to the collector one year after the day of death.

If the amounts falling due as provided in this section are not paid on the due date, the amounts shall be deemed delinquent as of that date and the property shall be subject to the provisions of article 4 of chapter 5 of Title 54 of the Revised Statutes (R.S. 54:5-19 et seq.).

15. (New section) An aggrieved taxpayer may appeal from the disposition of a claim for a deferral or disqualification by the assessor for a deferral, pursuant to this act under the same procedures as are provided for appeals from assessments generally.

16. (New section) The tax collector of each taxing district shall annually, at the time of the mailing of the tax bill or duplicate prior to the date that the third installment of the real property tax falls due, send to each owner of record of residential property within the district a written notice on a form prescribed by the director describing the tax deferral program and application procedure therefor established by this act.

17. (New section) a. On or before September 1 of each tax year for which tax deferrals are granted pursuant to this act, each municipal tax assessor shall submit to the county board of taxation a report on the total dollar amount of taxes deferred in that municipality for the tax year.

b. On or before September 15 of that year, the county board of taxation shall, on a form prescribed by the director, certify to the director the information received from the municipal assessors pursuant to subsection a. of this section, including totals of that information for the county as a whole.

18. (New section) a. No private lender shall prohibit a qualified taxpayer from applying for and receiving a tax deferral pursuant to this act as a condition of entering into a loan agreement with that taxpayer, where the collateral for the subject loan is or includes the taxpayer's equity in a parcel of qualified property.

b. No private lender shall refuse to enter into a loan agreement with a qualified taxpayer, where the collateral for the subject loan is or includes the taxpayer's equity in a parcel of qualified property, solely because the taxpayer has been allowed a tax deferral pursuant to this act, provided that the taxpayer demonstrates adequate equity in the property to guarantee both payment of the loan and participation in the tax deferral program.

19. (New section) The director shall annually provide the tax assessor of each municipality in the State with the average residential assessment ratio for that municipality.

20. (New section) Owner-occupants of a qualified property consisting of more than a single family unit, for which taxes have been deferred pursuant this act shall agree to maintain rental charges consistent with rentals in effect during the base year. The municipal governing body shall establish regulations for rent control for these units to provide for annual adjustments for

inflation, capital improvements, hardship or other justifiable causes.

21. R.S. 54:5-19 is amended to read as follows:

54:5-19. Except in the case where real property tax payments are deferred pursuant to P.L. ...., c. .... (C. ....) (now pending before the Legislature as this bill), [When] whenever unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on July first in the calendar year following the calendar year when the same became in arrears, the collector or other officer charged by law in the municipality with that duty, shall subject to the provisions of the next paragraph, enforce the lien by selling the property in the manner set forth in this article.

The term "collector" as hereinafter used includes any such officer, and the term "officer" includes the collector.

[The] Except in the case provided herein, the municipality may by resolution direct that where unpaid taxes or other municipal liens, or part thereof, are in arrears for more than one year, such sale shall include only such unpaid taxes or other municipal liens as were in arrears in the year designated in such resolution, and may by resolution, either general or special, direct that there shall be omitted from such sale any or all such unpaid taxes, and other municipal liens, or parts thereof, on real property, upon which regular, equal monthly installment payments are being made, in pursuance to such agreement as may be authorized by said resolution between the collector and the owner or person interested in the property upon which such delinquent taxes may be due; provided, that said agreement shall require payment of such installment payments in amounts large enough to pay in full all delinquent taxes, assessments and other municipal liens held by the municipality, in not more than five years from the date of such agreement; provided, that the extension of time for payment of such arrearages herein authorized shall not apply to any parcel of property which prior thereto have been included in any plan theretofore adopted by any municipality of this State under and pursuant to the provisions of any public statute of this State whereunder prior extensions for the payment of delinquent taxes were authorized; provided further, that the right of any person interested in such property to pay such arrears in such installments shall be conditioned on the prompt payment of the installments of taxes for the current year in which such agreement is made, and all subsequent taxes, assessments and other municipal liens imposed of becoming a lien thereafter, including all installments thereafter payable on assessments theretofore levied, and also the prompt payment of all installments of arrears as hereinbefore authorized; and provided further, that in case any such installment of arrears or any new taxes, assessments or other liens are not promptly paid, that is to say, within 30 days after the date when the same is due and payable, then such agreement shall be void, and in any such case the collector, or other officer charged by law with that duty, shall proceed to enforce such lien by selling in the manner in this article provided. <u>In the case of property for which a deferral is granted pursuant to P.L. ...., c. ..... (C. ....) (now pending before the Legislature as this bill), no sale shall be authorized for taxes due in any year for which the deferral is granted so long as property taxes are paid for that year in an amount equal to the amount due and payable on the property in the base year.</u>

(cf: P.L. 1944, c. 108, s. 1)

22. This act shall take effect immediately, and shall apply to property taxes assessed and levied for each tax year beginning on or after January 1, 1988.

STATEMENT

This bill provides for a program through which low income senior and disabled homeowners may, on the strength of the equity in their homes, defer post-revaluation tax increases on those homes. Amounts deferred will be repaid from the estate of a qualified homeowner upon his or her death, or by the homeowner upon the transfer of the home to a person who does not qualify.

Specifically, the bill applies to any homeowner who is 65 years of age or older, 55 years of age or older and disabled, or the surviving spouse of any such person who was allowed a deferral during his or her lifetime. The bill establishes income limits of

$13,650.00 for a single person, and $16,750.00 for a married couple, exclusive of certain retirement benefits.

To qualify for a deferral, a homeowner must have at least 50% equity in his home. Deferred taxes will carry interest as set by the local governing body. The bill limits the cumulative allowable amount of deferrals and interest to 50% of residential value. A homeowner whose equity exceeds 50% of value may, with the approval of the Division of Taxation, defer taxes and interest up to 80% of that equity.

PROPERTY TAXES

Senior Citizens

Provides for deferrals of post-revaluation property tax increases for certain senior and disabled homeowners.

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SENATOR RICHARD VAN WAGNER (Chairman): Good evening. Tonight is a public meeting of the Senate County and Municipal Government Committee. This meeting is specifically on Senate Bill 2560, sponsored by Senator Cowan. We have already received the names of people who wish to testify. Anyone who has not at this point indicated by the slip of paper -- I see a gentleman coming up now -- which is right at the head of the aisle here, you can fill it out, and one of our staff members will put you on the list.

My name is Senator Richard Van Wagner. I'm Chairman of the Committee. The meeting tonight is being held at the request of Senator Thomas Cowan, who is the Vice Chairman of the Committee, and Mayor Anthony Cucci. With us also is the Mayor of Paterson and Senator, Frank Graves, to my far right. On my immediate right is Linda Kassekert. On my immediate left is Hannah Shostack, who is our Committee staff aide. Over on the left are recorders who will record your testimony.

Since this is a public hearing, those of you do testify on the bill for or against, will, of course, become part of the public record of this meeting. The record will remain open after the meeting for those people who are not here tonight who wish to testify.

Senator Cowan, would you like to say anything at this point?

SENATOR COWAN: Not at this time, Mr. Chairman. Thank you.

SENATOR VAN WAGNER: Okay. Senator Graves?

SENATOR GRAVES: No.

SENATOR VAN WAGNER: Okay. I'd like to call on now the Mayor of the City of Jersey City, Mayor Anthony Cucci.

M A Y O R A N T H O N Y R. C U C C I: Thank you very much, Senator Van Wagner, Senator Graves, and Senator Cowan, and certainly staff members and Committee members. Thank you firstly for coming to Jersey City, and thank you, Tom Cowan, our representative, for taking the initiative and putting together what we think is a very much needed meeting. I am grateful, and certainly in every way appreciative.

What I would like to read into the record is the presentation to the Senate, County and Municipal Government Committee, August 10, 1988, at the Municipal Council Chambers in Jersey City.

Gentlemen and ladies, the legislation that you have before you, Senate Bill 2560, is not a unique proposal. The impact of revaluation on property owners of limited income, particularly the elderly and the disabled, is a problem faced by every community which must bring its assessments within the State constitutional mandate. Almost a dozen bills by Senators and Assemblymen have been introduced at one time or another to alleviate the situation. To date, none have met with success because they all sought State funding.

This bill, 2560, has one major difference. It does not require or seek one dime of State money. It is permissive, which allows the municipality to handle the problem.

The remedy is fiscally sound. It gives full relief. It is self-liquidating. It permits our older citizens, with their limited income, to remain in their homes and to take advantage of the increased equity in their property, without any hardship. It is similar to an equity loan, but is much simpler. It is no different than the procedure now followed by these seniors or disabled citizens to obtain their property tax credit.

The increase in property values in the downtown area of Jersey City has dramatically rocketed. Long-term residents, particularly the elderly or those on limited incomes, are faced with heavy tax increases, with only the increased property equity as an asset. You have before you over 40 examples of property in the downtown section, which presently are owned by persons eligible for the senior citizen or disabled property allowance. You can see the huge tax increase caused by revaluation in this area. The 1988 tax rate is stable, and is not a factor in the increase.

Presently there are over 3000 property owners who qualify for the senior citizens or disabled tax credit. A large number reside in the Heights section, another area where values have appreciated, but not as greatly as downtown.

It is estimated that about half of the qualified seniors in the city will need help.

To qualify for a deferral, a homeowner must have at least 50% equity in his home. Most seniors have no or small mortgages. Deferred taxes will carry interest set by the local governing body. I am sure any sympathetic council would make the rate minimal, another feature more favorable than a commercial equity loan. This bill limits the cumulative allowable amount of deferrals and interest to 50% of residential value, but this can be increased to 80% with the approval of the Division of Taxation.

In the cases you have before you, on a 50% equity basis, protection at today's values would range from 20 to 49 years; at 80%, 33 to 79 years. The longer periods coincide with homes of lesser value, the group more likely to need help.

There is another unusual feature contained in this bill. It extends the relief being given to an owner-occupant of more than a single family unit to the tenants as well. The owner-occupant would agree to maintain rental charges consistent with the rentals in effect during the base years. The municipal governing body would establish regulations for the rent control for these units to provide for annual adjustments if needed for justifiable causes.

Deferred taxes will have a minimal effect on the local tax rate, estimated at one percent. An actuarial study will project the rate at which the city can expect repayment of the deferrals and the liquidation of the reserves.

The bill is a humane effort to protect our older and disabled citizens from a consequence not of their making. If nothing is done, the result could be catastrophic for this small group of homeowners. While the State will bear no fiscal responsibility, it does have a moral obligation to help. We need your authorization to be able to provide our local solution.

I thank you very much. On the following page -- I don't think it's necessary to read, you have that -- we have there a listing of those homes that would be affected in the downtown area. Okay?

SENATOR VAN WAGNER: Thank you, Mayor.

MAYOR CUCCI: Thank you very much.

SENATOR VAN WAGNER: We also have with us Assemblyman Anthony Impreveduto. I'd like to ask Assemblyman Impreveduto if he would like to join the Committee here as we conduct this hearing.

ASSEMBLYMAN IMPREVEDUTO: Thank you, Senator.

SENATOR VAN WAGNER: Councilman George Aviles. Mr. Aviles?

COUNCILMAN GEORGE AVILES: First I'd like to thank you all for coming here on such a hot night. I know especially you, Mr. Chairman, have come quite a great distance, as has Senator Graves.

SENATOR VAN WAGNER: To my place of birth.

COUNCILMAN AVILES: Before I start, I'd also like to thank the three Senators for their support on the bill that would restrict condominium conversions. That's something very important to us here in Jersey City, and especially in my district, Journal Square, which is called sometimes the, "land of apartment houses." I want to reassure you that your vote was well-received here in Jersey City, and I think it was the right thing to do.

With respect to this present bill, I think as far as immediate relief to the taxpayers, this, along with the tax appeal process, is going to be the only real relief that many of the citizens, I think, will see. There had been some suggestions and had been some proposals for a moratorium. I don't see that coming into being, or coming to fruition at any time. So any real relief will come either through the appeal process or through this bill.

Make no mistake that there are several areas of the city, and especially right here downtown, where the tax bills are going to be so astronomical that it is going to present a serious problem, especially for the senior citizens. And anything that we can do to alleviate any suffering certainly must be supported.

I believe that this problem stems from a problem that exists in the way we fund our municipal and, I guess, other governments. And that is through these property taxes. I'm one that's a strong supporter of that SLERP Commission report that calls for a shifting of many of the responsibilities for funding many of these municipal services to the State level, and possibly doing it by an increase in some of the statewide taxes; perhaps a property tax. I believe that as we continue to fund our municipal governments through property taxes, the situation and the problems are only going to continue.

And by the way, this particular position is something that I think shares some bipartisan support, and I think the dichotomy comes with the suburbs lining up against the urban centers. I think that's where our real problem is, because I can recall in the past legislative term some of our Republican Assemblymen right here in Hudson County supporting that same position.

I believe that this particular bill might shift some of the tax burden here in Jersey City. That is to say that were some of these taxes to be deferred, and assuming that no

State funding would be available to back up the deferrals, it would shift some of the taxes to the rest of the citizens who did not qualify for those deferrals. I would like to go on record as not being opposed to that. That is to say, if my taxes have to increase somewhat so that some senior citizen or some disabled person could enjoy the benefits of being able to stay in Jersey City, I would go on record as supporting that. I have no illusions about the fact that if there was a deferral -- and I don't anticipate a whole lot of support for State money to back it up, although I would say that that would be the best solution-- Again, that is the kind of thinking that went into that SLERP report, that suggests the shifting of these government responsibilities to funding at the State level. If you can convince your colleagues that there is some hope for funding those deferrals, it's certainly something that we need.

Again, I favor the bill. I think it's one of the only two remedies realistically that the taxpayers in this city, because of this revaluation, can expect to have any real hope with. That is again the appeals and this bill. As a taxpayer in this city, and as a homeowner whose taxes are threatened to go up considerably, I would be willing to bear a proportionate burden so that some senior citizens and handicapped could pay less. Again, thank you.

SENATOR VAN WAGNER: Thank you, Councilman. Mr. Joseph Duffy of the Historic Paulis Hook Association. Mr. Duffy?

JOSEPH R. DUFFY: Good evening, ladies and gentlemen. I'm glad that the Senate Municipal Government Committee also is here tonight, and I welcome you.

My name is Joseph Duffy. I'm a lifelong resident of our great city. I reside at 108 Grand Street. And I'm concerned about the problem that the revaluation in our city is going to occur when we get our tax bill.

I'm in favor of this bill, but I think this-- I didn't read the whole bill completely. I'm wondering about its constitutionality? Supposing a corporation or a partnership comes before a court and says, "Look, this is discrimination, you give a deferral to property owners. We're property owners but we are a corporation. We're not homeowners but can the State--" and I'm raising this question "--can the State do this without giving some benefit to a corporation or a partnership?"

SENATOR VAN WAGNER: If I could just answer that very briefly for you, sir. The class of citizens that are spelled out in the bill -- namely, older citizens, disabled people, based on their ability to qualify for this deferral -- are also provided for by the State Constitution as being able to receive additional property tax relief from the State of New Jersey. So I sense using that same classification of citizens who are already entitled to certain types of deferrals, if you will, by virtue of the senior citizen benefit, homestead relief benefit, and the disabled citizens benefit, in all probability -- since this is permissive legislation-- If the city chooses to provide a deferral for that same class of citizens, I think it would be constitutional.

MR. DUFFY: Has it be tested anyplace?

SENATOR VAN WAGNER: Not that I know of.

MR. DUFFY: Another municipality?

SENATOR VAN WAGNER: No, I don't know if it has, sir.

MR. DUFFY: Oh. Well, it's just a question for the Committee to consider.

SENATOR VAN WAGNER: I think it's a good question.

MR. DUFFY: Secondly, I'm also concerned about the income limitation. As you know, we are developing a society in the United States now where we have two income producing members of the family. As you all know, the husband and wife today have to work to maintain whatever level of income their expenses make necessary to produce that income. So, again I'm concerned about the income limitation, 13,000 for a single person, and only 16,000 for a married couple. I think the married couple is too low. There's only a change there of $3000, which to me is very minimal. At the most the Committee probably ought to consider raising that amount for the married couple, because I can forsee--

On, and another question was raised. Is there a time limitation on this deferral? Will it continue on and on and on?

SENATOR VAN WAGNER: I believe that it continues until such time as the property owner sells their property. Is that correct, Senator?

SENATOR COWAN: As long as they remain qualified and eligible for the deferral they will be eligible for it.

MR. DUFFY: I don't follow you.

SENATOR COWAN: As long as they meet with the qualifications, Joe, they will be eligible to qualify for, and therefore carry forth for any one year in particular. And these figures that you quote are the same that are established for the PAAD Program for single and the disabled. Those figures will rise at any given time that the PAAD program is risen, or the prices, or the figures are raised for eligibility, or the threshold is set at a different price. They come in under the same program as the PAAD.

MR. DUFFY: How long does that last?

SENATOR GRAVES: Forever.

SENATOR COWAN: That's forever, as far as I know.

SENATOR VAN WAGNER: Directly it would go until they sold their property or they die.

MR. DUFFY: I can see a danger in having-- I think we should have a limitation in the bill.

SENATOR VAN WAGNER: It's a good thought.

MR. DUFFY: Let's say five years to ten years. The wisdom of the Committee ought to--

SENATOR COWAN: The limitation as far as what we carry forth here with deferrals, is 50% of equity in the property.

SENATOR VAN WAGNER: Yes. It's limited by the equity, actually.

MR. DUFFY: Well again, I want to thank the Committee for coming here. I'm in favor of the bill, but I think the important part of the bill is that income limitation. The married couple figure definitely is too low. It should be raised by at least maybe $5000, or maybe double it. Make it 26,000, or rather, 27,300, because I can foresee a married couple not qualifying.

SENATOR COWAN: Basically, Joe, what we're dealing here with is the figure under the PAAD -- as I mentioned before -- and that's 13,650 for a single person, and 16,750 for a married couple. Unless that figure has been raised recently, most of these people are under what we call fixed income, and basically on retirement. They are retirees who have no earned income coming in except for pensions.

MR. DUFFY: I noticed there's an exclusion. Retirement benefits are not considered part of income. Some classes of retirement are considered as income. In other words, you do file certain retirement benefits on your 1040 Federal tax return. So maybe you should, again, amend the bill to talk about the income shown on your 1040 Federal tax return. Do you understand what I'm saying? Because some income produced from retirement is taxable and some isn't. So again, you're going to have conflicts there. Which is what? You know, do I qualify? Let's say you get an income from an organization which for whatever reason is not included on your 1040, your Federal return -- do you follow me? -- and others are. So again, you've got a problem there. So I leave that with the Committee to decide whether or not you're going to keep that exclusion in there. You say, "certain retirement income benefits," but you don't say what the certain ones are.

SENATOR COWAN: We're talking about social security, Joe.

MR. DUFFY: Only social security?

SENATOR COWAN: It's basically social security.

MR. DUFFY: Only social security?

SENATOR COWAN: As far as the exemptions are concerned. There are certain public pensions that do come into fore, but that has been explored, and I believe so far the content and the intent of the legislation is, it will remain on an equalized basis so that no one would be, shall we say, coming into a windfall.

MR. DUFFY: I follow you. Again, thank you for coming. I'm in favor of the bill. And again, the Committee ought to consider that limitation for the married couples. Thank you.

SENATOR COWAN: Thank you, Joe.

SENATOR VAN WAGNER: Thank you, Mr. Duffy. I appreciate your comments and your thoughts. Mr. Mark G. Russoniello, Chairman of the Jersey City Republican Party?

MARK G. RUSSONIELLO: Good evening, Mr. Chairman, members of the Committee. Thank you very much for coming up and holding this hearing that I contend is sorely needed.

I would contend that it's needed primarily because this is one of the most irresponsible pieces of legislation that I have seen for quite some time. I say it's irresponsible, but I also say that it's insensitive, and it shows a gross lack of creativity.

No one can deny that the tax burden that will be affecting the people of Jersey City, particularly senior citizens, is going to be a hard one. But this is a short-term, stop-gap measure that will do nothing over the long-term but harm the majority of residents of most communities in the State of New Jersey, particularly in this city.

I say that because this bill leaves open far too many questions. Now, I'm going to pose those questions rhetorically, and if anyone from the Committee would like to respond they can, but I'm going to do so rhetorically right now.

First of all, the statement for the bill says, "Deferred taxes will carry an interest rate as set by the local governing body." Obviously the first question is, how much interest, and based on what rate? Is it going to be the prevailing prime rate, the prevailing rate of specific maturity of Federal Treasury bonds? What rate? What happens if interest rates increase, as they're already beginning to do? Is it going to be a fixed rate, fixed on the first year of the deferral? Or is it going to be a floating rate that can go up or down based on prevailing interest rates?

Is it a one-time payment upon the death of the resident of the home or upon the sale, or is it going to be spread out over many years?

If, for instance, the owner of the home passes away, and the responsibility for paying the deferred taxes passes on to their heirs, will there be a commensurate deferral of the inheritance tax; thereby reducing the possibility of a triple whammy -- the payment of the deferred taxes, the payment of the interest, and the payment of the inheritance tax which leaves the heirs with basically nothing, I would contend.

In the present term, who will pay for the loss of income that is going to be generated by this? There is no provision in this bill. It's a self-financing bill. There's no provision for the State to make up the difference. There's no provision for the local municipalities, through increasing taxes on other members of the community, to pick up the slack. Who will pay for the difference?

And what happens in the event that real estate values decline? This is something that I find of particular concern. What happens if real estate values decline in Jersey City, as I contend they must over the course of the next 10, 15, 20 years, however long?

SENATOR VAN WAGNER: Did you say decline?

MR. RUSSONIELLO: Decline.

SENATOR VAN WAGNER: Decline.

MR. RUSSONIELLO: Real estate values decline from their present levels. What happens if a resident decides 10 years down the road, at a reduced property value, to sell their home, and the sale price that they get for their home does not cover the cost of the deferred taxes? Where is that money going to come from?

These are questions, gentlemen and ladies, that must be answered before this bill is even brought to the floor of the full Senate or Assembly.

What it amounts to in its present state is a second mortgage on a home that's been owned by a family for God knows how many years, perhaps 30 or 35 years. And it's a second mortgage that is going to have to be paid by the heirs. This is grossly unfair. If an individual has worked his or her entire life to build a home in a community, and wishes to pass that home on to their children, why do the children have to pay the price for their hard work? This is another example, gentlemen, of short-term, quick fix, political legislating. And I think it is wrong. I think that should be taken into consideration by the Committee, and I think the Committee should overwhelmingly reject this piece of legislation.

I am not denying that senior citizens need relief. But they need relief over the longer term, not something that is short-term. The senior citizens of this generation need relief, but so do the senior citizens of the next generation. Right now, the next generation's senior citizens are going to have to pay exorbitant costs for this legislation. That just is not right. Thank you.

SENATOR COWAN: If you would remain for just a minute please? You did ask four questions that I understood, and I just have, in a rhetorical sense too, as you related it before your presentation-- You mentioned four critical points, and you indicated after raising those points, that you also are concerned, as we are, with what I think may be -- I'm not speaking for the Committee -- but what I think is an answer to the problem that exists with the senior citizens. What do you suggest?

MR. RUSSONIELLO: At the moment, Senator, I have no suggestion. The unfortunate thing is that I just got a copy of the bill today, this evening when I came in here, about 15 minutes before the hearing began, and I haven't had the opportunity to go over it in great detail. I've read the statement, and I've read the first couple of pages of the bill. So I have at this point no alternative to offer. I'm merely offering questions that the Committee should consider while it takes into consideration the entire bill.

SENATOR COWAN: Well, in any sense, being constructively critical as you are, I assume--

MR. RUSSONIELLO: Yes.

SENATOR COWAN: My office is at 895 Bergen Avenue, my telephone number is 798-4101, if you do have any suggestions--

MR. RUSSONIELLO: Could you repeat that, Senator?

SENATOR VAN WAGNER: 798-4101.

SENATOR COWAN: If you do have any suggestions as to what corrections may exist in this legislation, in this proposed legislation, I would appreciate it.

MR. RUSSONIELLO: Very good.

SENATOR VAN WAGNER: Before you leave, Mr. Russoniello, do you agree with enterprise zone legislation?

MR. RUSSONIELLO: Urban enterprise zone legislation that's in effect in the State of New Jersey right now?

SENATOR VAN WAGNER: Right.

MR. RUSSONIELLO: Yes, Senator, I do.

SENATOR VAN WAGNER: You do. Are you aware that in many cases the taxes are deferred by virtue of when an urban zone is designated, and that other taxpayers generally bear the cost of that until such time as that ends and taxes are brought up to where they should be?

MR. RUSSONIELLO: No, Senator, I'm not aware of the specifics of the legislation.

SENATOR VAN WAGNER: Well, that's basically I think what this legislation--

MR. RUSSONIELLO: I would say, Senator, in response to that, that if that is the case, then that is also irresponsible legislation. I think the theory -- without getting onto the point of urban enterprise zones -- the theory of urban enterprise zones is a valid theory if in fact it does produce in the reality what's intended, that is, an increase in economic opportunity in the designated communities.

SENATOR VAN WAGNER: But see, to get to that reality, sir, certain kinds of abatements have to be granted. In essence the reality of what Jersey City is apparently facing is that it has gone from being a city that was dealing with a great many problems due to the fact that cities throughout our nation were dealing with problems, deteriorating tax base-- In Jersey City, because I think of its unique position geographically as it relates to the large commercial centers in our State, we saw a tremendous increase in value take place within its geographical area. I've seen it in my own area in certain places. Towns which were not very attractive at one time, suddenly have become attractive.

And what happens is when those values skyrockets -- as they have here, and as they have in a lot of places throughout our State -- those citizens who have been in that area the longest, and who have in many cases properties that have not been brought to full value -- when those values skyrocket, they are the ones that get hit the hardest because they have been there the longest, and they haven't really been participating in that great boom that takes place. I think what Senator Cowan is trying to do here with this bill is to try to somehow or other even the playing field for those citizens who have been hit by this surge in values, that's taken place largely because of the great economic revitalization that's taken place in the city.

MR. RUSSONIELLO: Senator, I don't question the motives of Senator Cowan in presenting this legislation. I think they're laudable motives, and I agree with them wholly. I agree with him that the senior citizens do need relief in this community from the tax burden that they're facing.

What I'm specifically arguing against is this legislation which I think leaves open far too many questions to have it be recommended for the full Legislature by the Committee. I think there are too many questions that need to be answered, too many holes that need to be filled, before we can go further in helping the senior citizens.

I do not contest the need to help senior citizens. I want to emphasize that to you. I'm saying, there must be -- and I have no specific recommendation at this time -- but there must be a better way to do that.

SENATOR VAN WAGNER: I just wanted the record to be clear, because obviously the points you raise are points that can be addressed in the bill and in the drafting of the legislation. We can limit it, as per Mr. Duffy's recommendation, to a period of time. We can set the interest rate at a percentage somewhat below the long bond rate or the short bond rate. I mean, there are any number of mechanisms. We can do that. We can handle the inheritance part of it. Those are mechanical kinds of things that we can do in the bill.

MR. RUSSONIELLO: Mechanical maybe, Senator, but they're certainly important.

SENATOR VAN WAGNER: I just wanted to get a sense of what your feeling was conceptually, and obviously you do support in trying to assist in tax abatements.

MR. RUSSONIELLO: Absolutely, Senator. I support any proposal -- well, almost any proposal -- that would reduce the overbearing tax burden on the citizen. Being a Republican, and being a Conservative Reagan Republican, I am opposed to anything that increases the tax burden of the common citizen. I realize that government programs need to be paid for, and they need to be paid for by someone, and unfortunately that is the common citizen, but I would argue that we need to find an equitable way to do that where the broad number of people are not injured by it. I would contend that this legislation, in its present form, would injure a great many more people than it would help.

SENATOR VAN WAGNER: Thank you, sir.

SENATOR COWAN: Mr. Chairman?

SENATOR VAN WAGNER: Yes?

SENATOR COWAN: It would be very minimal in the extent to the amount of hurt. I'm not going to get into a philosophical dissertation with you, young man, concerning Reagan economics or any other economics.

MR. RUSSONIELLO: I said that, Senator, to be humorous. I'm sorry if it fell flat.

SENATOR COWAN: I assume you meant it to be humorous because this is part of the fact that we have to face because of those Reagan economics; we in the cities are absorbing what normally would be funded by the Federal and State legislation.

MR. RUSSONIELLO: Senator, I'd be happy to have a philosophical conversation with you on this level.

SENATOR COWAN: Nonetheless, and I say that rhetorically just as you have said rhetorically before, but I would just say to you, young man, as I said before, my office address is 895 Bergen Avenue in Jersey City. I'm available any day of the week, nine to five. If you have any suggestions -- and you indicated you only had 15 minutes to look at this legislation -- but if you do have any suggestions, I would be only too happy to sit and discuss them with you.

MR. RUSSONIELLO: Very good, Senator. Thank you. Thank you, gentlemen.

SENATOR VAN WAGNER: Mr. Chester Jankowski, West Greenville. It's nice to see you again, Chester. I think the last meeting we had with the Greenville revaluation you were here.

C H E S T E R   J A N K O W S K I: Right, yes.

SENATOR VAN WAGNER: We were in the same chamber, but I think it was cooler.

MR. JANKOWSKI: Much cooler.

SENATOR VAN WAGNER: Yeah.

MR. JANKOWSKI: I think Mr. Cucci should shut the heat off.

SENATOR VAN WAGNER: Shut the heat off? (laughter)

MR. JANKOWSKI: Senator Van Wagner, Senator Cowan, Senator Hart, and--

SENATOR COWAN: Is that Gary Hart?

SENATOR VAN WAGNER: He wishes he was Gary Hart. He's not. Believe me.

MR. JANKOWSKI: Oh sorry. Senator Graves. Excuse me. I think we should remove some of them from there.

A couple of questions I have to ask. I did not receive this bill until I come onto location, and unfortunately I left my eyes at home.

SENATOR VAN WAGNER: You can use mine if you want.

MR. JANKOWSKI: I don't know if they will help.

SENATOR VAN WAGNER: They're number 16 in the pharmacy.

MR. JANKOWSKI: I don't know. They're liable to hurt more than help.

A couple of questions I'd like to ask pertaining to this bill. At what percentage of taxable dollars is a homeowner going to be allowed to defer? And when I ask that question-- Okay, we're talking equity in homes, but we're not talking in taxable dollars. And I ask that question because I say if in fact we are saying 50% of equity, then we are saying that each and every homeowner 65 years or older, or 55 -- I didn't read the bill -- and the disabled, could defer 100% of their taxes. I'll bring up that point, because most homeowners were revalved at 50% of their property value. I am asking this question because I don't know cost what this is going to be to me, Chester Jankowski. I'm a retired individual, semi-retired. I am not of age. And I am saying what additional cost will I have to pick up as a homeowner as opposed to just saying that, "Well, let's help them in another manner"?

We all agree, and the cry throughout this city is to help the senior, to help the disabled, to help the poor. That is our place in life, to help people when they are in need. But again I concern myself with what is the cost going to be to me?

Now, I don't know statistically how many homeowners in this city will be capable of signing up for this program. I think statistically that should be brought out, that we have "X" amount of homeowners in the city, and "X" amount of dollars potentially that would be lost to the tax treasury, that would have to be absorbed by the rest of the community. And propose this to the people. I think that, whether it be minimal, at least they know, as it being they.

The next question I ask--

SENATOR VAN WAGNER: If I could answer that for you.

MR. JANKOWSKI: Okay.

SENATOR VAN WAGNER: I happened to have a conversation with the Mayor beforehand when we were discussing this, and he indicated after this hearing that it would be his intention to disseminate to the citizens the information that you just mentioned, and exactly what the impact would be, and what the purpose of it would be.

MR. JANKOWSKI: Okay, but it's not in this bill, and that makes me a little concerned; that the bill is going to be passed prematurely before we know what our cost to the homeowner is going to be, with the taxes skyrocketing the way they have been.

SENATOR VAN WAGNER: Well that's why we're having this hearing.

SENATOR COWAN: Mr. Chairman, if I may? Right now, from the research that was done through the Office of Legislative Services, these are the figures that we come up with. There's approximately 1500 people out of the 37,000 or 38,000 on the tax rolls, and that will relate to approximately four cents per hundred.

MR. JANKOWSKI: And Mr. Cowan, what did you base that upon, on the dollar figure that they will be able to defer?

SENATOR COWAN: The amount which exists with the revaluation out there now. The number of people--

MR. JANKOWSKI: Okay. Why I'm asking--

SENATOR COWAN: What we based it on-- Basically the prime base is on the PAAD program, the people that are eligible for that in the city.

MR. JANKOWSKI: Okay.

SENATOR COWAN: The seniors and the disabled who are eligible for the PAAD. That's the threshold that's set.

SENATOR VAN WAGNER: There are 3000 of them now, and the estimate is that about--

MR. JANKOWSKI: I don't want it to be construed that I'm against any help for the seniors or the disabled.

SENATOR VAN WAGNER: No, no. I think you made that clear.

MR. JANKOWSKI: I wish you would bear with me in that I am totally in favor of any help that we can give, because one day I'll be there.

SENATOR VAN WAGNER: You made that very clear. You really did.

MR. JANKOWSKI: Okay.

SENATOR COWAN: Excuse me, Mr. Chairman. We all appreciate that. But your question, as the Chairman has indicated, is a very viable question--

SENATOR VAN WAGNER: A good question.

SENATOR COWAN: --as to what's your stand on there, and what exists.

SENATOR VAN WAGNER: Yeah. We want to get that part of the record, which is why we're holding this hearing.

MR. JANKOWSKI: Okay. And I think the question was answered that I have, that the city would bear the burden.

I think that would end it. I appreciate your time. Thank you very much.

SENATOR VAN WAGNER: Chester, it's good to see you again.

SENATOR COWAN: One other point, though, when you say the city would bear the burden, is the fact to remember that over the course of time this will become self-funding and that it won't cost the taxpayers anything once both scales come together.

SENATOR VAN WAGNER: It would really probably -- I don't want to get too technical -- but in terms of budgeting, the city budgets a certain amount of money reserved for uncollected taxes every year. And what they would simply do is add perhaps one percent to that budgetary item reserved for uncollected taxes. Am I right, Mr. Lazarus, roughly? Mayor? (affirmative response)

MR. JANKOWSKI: Okay. And that would be allowed by State law, right?

SENATOR VAN WAGNER: Yes. It's allowed by State law. What Senator Cowan is attempting to do here is provide through the municipality what many people now go to banks for. Older people sometimes when they face this, they go to a bank and borrow money against the added value. The bank in turn will advance them the money, and then in essence there's also a program where they will buy the house from them and lease it back, so that the senior citizen or disabled person can stay in the house. When that person dies, then the heirs or whoever have to bring the taxes up-to-date, and it's brought to its true value and the loan is liquidated. He's trying to do a similar thing here to sort of not-- This is only a deferral. It's a loan. So ultimately the taxes will be paid over a period of time.

SENATOR COWAN: Mr. Chairman, if I may interject here. Thinking along the same lines, there are very few banks existing today that will give a loan at a decent interest rate to any-- Most of these people are retired, who have no income. And I would suggest that any retiree go out today and try to get a mortgage. Most of these banks today, and I think it has been researched to some extent, that if you can get a mortgage to pay your taxes so to speak, although your mortgage was long paid off 10 or 15 years ago, you will now pay on any appreciated value to the property. That's part of the new mortgage. As much as our real estate here in the city has appreciated, if you get a mortgage at home that is $100,000 today, the banks are now turning and saying -- and I don't say this as a proletariat-- But they're turning and saying, "Well, if it appreciates 50%, I want 10% of that 50,000 also a part of that mortgage."

MR. JANKOWSKI: See, I also understand that there is in the banking industry a reverse mortgage also.

SENATOR VAN WAGNER: Yes. This is very similar to that.

MR. JANKOWSKI: All right. Thank you very much.

SENATOR VAN WAGNER: Chester, thank you again. Is there anyone who didn't sign up and would like to say anything, throw anything at the Chairman? (no response) Get a couple of Sabrett's hot dogs? Anything? Anybody want to say anything? (inaudible response from audience) Ma'am, you want to come up here and get on the record?

FLORENCE O'GRADY: I'm Mrs. O'Grady, and I think Senator Cowan knows the predicament I'm in. Good evening. I would like everyone of you.

SENATOR VAN WAGNER: Could you state your name ma'am?

MS. O'GRADY: Florence O'Grady. I would like everyone of you to give us senior citizens one moment of thought within your hearts, your bodies, your families, your grandchildren, your children, and feel the way we do about giving our home up to the State if we pass away. Just think about that. Would you like that to happen to your grandchildren or your children?

SENATOR VAN WAGNER: Is that--

MS. O'GRADY: No. I'm asking you a question. Have a little feeling for us.

SENATOR VAN WAGNER: I'd answer your question, but I don't think it has any relevance to what we're talking about.

MS. O'GRADY: Earlier you spoke about Jersey City being built. True.

SENATOR VAN WAGNER: Jersey City, what?

MS. O'GRADY: Who built the face of this city? Who brought it up to its par? The old senior citizens that took care of their property, and didn't run away when the younger people flew from this city. That's all I have to say to you. You are doing nothing for us but destroying us. You may as well give us a black pill right now to take to commit suicide. Thank you. (witness walks toward her seat but continues testimony) And I'm living on an income of $4000 a year. You tell me how I'm going to pay this bill? And Senator Cowan knows it.

SENATOR VAN WAGNER: Okay, sir?

RICK COHEN: Hi. I'm Rick Cohen, Director of the Jersey City Department of Housing and Economic Development. Since it's very warm here tonight, I'll be shorter than I usually am.

Basically I'm here to speak in favor of the bill. I think the bill is a good, immediate response to a serious problem that is being faced by senior citizens in this area. The attractive features of it are that it is flexible -- it allows flexibility to the municipality to address the problem -- and it avoids the problems of previous proposals which, although meritorious, required State funding, which is why they never made it through the Legislature in the first place.

Let me point out just a little bit about the evidence of the problems facing senior citizen homeowners, as we see them from the perspective of the Department of Housing and Economic Development.

Between 1980 and 1985, the total number of households in Jersey City increased by one percent, but for senior citizens households that number decreased by 2.1%; which means that senior citizens are moving out of the area as other households are actually increasing in the area.

Eighteen percent of senior citizen households that we see are below Federal poverty standards, and 29.3% of them are below 125% of Federal poverty standards. As you know, the Federal poverty standard is much lower than what we call low and moderate income, so those are people who are seriously facing significant income problems. That amounts to more than 5000 senior citizen households. 5686 senior citizen households are owner-occupants. So there's a large number of seniors that are potentially affected by tax increases or the impact of the revalve.

The impact of this legislation is very important. The first thing it does is it stabilized the situation for senior citizen households.

Let me point out the impact of displacement on senior citizens. We've done a lot of research on what displacement actually means to a senior citizen. For many people displacement is just moving to another place. For senior citizens, it's being taken out of your neighborhood. The studies show that the consequences are not just often higher costs in terms of housing and more travel time to get the basic services. We've seen evidence that displacement for senior citizens -- whether it's due to condominium conversion or tax problems -- often has physical health consequences. So the action on the part of the Legislature to try to protect senior citizens is very important in real human terms.

And then the impact on the city's fiscal problems are actually minimal. If you assume that out of the 3560 senior citizen and disabled that currently receive tax assistance through State programs, maybe half of them at most would qualify for this. That means a very minimal impact on the city's fiscal situation, and, as all you have said, the cost is self-liquidating, so it's not a permanent problem for the city.

So, like the Mayor, I strongly endorse the legislation you have proposed. But let me point out that this is only one step in dealing with the problem. The property tax in and of itself is regressive. And the SLERP Commission -- which I know many of you are aware of and have actually supported -- addresses some of the more fundamental problems. And one of those is that until we get ourselves off of the major reliance on property taxes to fund municipal government, we're always going to keep hitting additional problems in the future. And then in addition, even though previous legislation has not made it through, that involves State funding. More than 30 states across the country fund senior citizen property tax circuit breakers. So that if other states can do it, New Jersey -- which is one of the wealthiest -- ought to be able to consider that as well.

SENATOR VAN WAGNER: Well, I firmly believe that we're long past due in the passage of a circuit breaker. As you know, I was an integral part of writing the 1976 Tax Reform Program, favored a circuit breaker over a Homestead Rebate, because there's certainly a lot of homeowners -- including myself -- that don't need a Homestead Rebate; whereas on the other hand there are elderly people and disabled people living on a fixed income who deserve more of a tax break than some of us who don't need it, are getting. I hope that we reach the point where whatever governor and the Legislature will face property tax relief. I don't know.

MR. COHEN: Well if we ever reach that point, we'd be glad to give you the list of the 30 to 40 states that have already reached that point ahead of New Jersey.

SENATOR VAN WAGNER: Well, we reached it in '76, and we were dragged kicking and screaming to that. There are some of us who have attempted to put it on the front burner -- including Senator Graves, who is just as interested, and Mayor Cucci, and Senator Cowan, and even though I'm a suburban legislator, I'm very interested in seeing our cities get a fair break in terms of their citizens, so people can remain living here.

I personally think this is a good bill, despite some of the things we may have to clean up. I think it's an excellent idea. I'd like to see more communities get involved in it. It would help older people and disabled people stay in their homes, rather than having to go out and seek other means of shelter.

MR. COHEN: I agree. I think the bill that you are proposing right now is a very important bill. Certainly there is more to be done, but even as Senator Cowan said, for senior citizens that are trying to face these problems who go to banks to try to find loans, they find this just impossible.

SENATOR VAN WAGNER: I'd like to see a State component. I'd like to see a State where a community selects to do this, pick up 25% of the cost, or whatever. I think it's a good idea. It helps the State. This State, which has no housing policy whatsoever, as you know, certainly is going to have to face the eventuality of building housing for its elderly, building housing for lower income people, and this is at least an assist to helping elderly people stay in their homes.

MR. COHEN: And for that reason, we strongly, strongly, endorse this bill. Thank you.

SENATOR VAN WAGNER: Thank you, Rick.

SENATOR COWAN: Thank you, Rick.

SENATOR VAN WAGNER: Senator, what's your pleasure? Senator Cowan?

SENATOR COWAN: Anyone else?

SENATOR VAN WAGNER: No, sir.

SENATOR COWAN: I'll move the bill.

SENATOR VAN WAGNER: Sir?

M I C H A E L B E L L, E S Q.: Good evening.

SENATOR COWAN: Got it, Mike?

SENATOR VAN WAGNER: One mike is for recording and the other is for being heard.

SENATOR COWAN: No, his name is Mike.

SENATOR VAN WAGNER: No, I was just saying that both mikes are for different reasons.

MR. BELL: Senator Cowan and I are old friends, since I was campaign manager of a ticket he was part of in 1973. I guess I should be a little charitable in my remarks.

My name is Michael Bell, 222 First Street. I'm an attorney, and also I've been State chairman for the last 20 years for a committee for a constitutional tax convention.

SENATOR VAN WAGNER: This is you?

MR. BELL: Excuse me?

SENATOR VAN WAGNER: You're the Mike Bell in this article?

MR. BELL: I think I am. Was that in today's Jersey Journal?

SENATOR VAN WAGNER: Yes.

MR. BELL: Yes. I think the fundamental mistake we're making here this evening is to think that problem caused by not only senior citizens, but by taxpayers throughout the city, is because of the revaluation. I submit it's not. It's because of two reasons basically, and I think you have to understand this to make a determination whether or not through this bill you're solving what's the basic problem in Jersey City.

I submit to you the basic problem is twofold. Number one, the cost of government in Jersey City, is much much higher than anywhere else throughout the State; and number two, the funding mechanism that we use in this State where most of your municipal funding comes through the property tax.

Now, there's been a revaluation problem throughout this country, and various states have attacked it in different ways. But I submit, every major industrial state in the Union -- California, Illinois, Dukakis' State of Massachusetts, New York, Missouri -- all have opted for a constitutional limitation on the amount of taxes a piece of property pays. That's been the basic approach to solving this problem. Now, why New Jersey, and why the legislators from our county, have not introduced such a bill over the years is perhaps a question we should not get into. I submit, because basically New Jersey is a suburban state.

The six largest urban areas in this State only comprise 20% of the population. And if we had a constitutional tax convention, which would make this State more progressive, a State which right now collects only $2.5 billion from a State income tax, and $3.5 billion from a State sales tax, and which collectively collects only 6 billion, whereas the State raises

$7.5 billion from the property tax, we're not a progressive state. We are one of the most regressive states in the Union. Now, why do we have it that way? I think you understand it much better than me, Assemblyman. Basically--

SENATOR VAN WAGNER: I was an Assemblyman.

MR. BELL: I'm sorry. I recall you very well when you were.

SENATOR VAN WAGNER: Call me anything you want.

MR. BELL: Well, I'll call you Senator, which is your proper title. Excuse me.

SENATOR VAN WAGNER: Rich, Senator, I don't care. Whatever.

MR. BELL: I think the problem basically is because it's a suburban state, and it does not want, through a broad-based tax, to fund what it probably feels is excessive spending on the part of certain local governments, especially those in Hudson County.

It would seem to me that the fair way to handle this problem is putting in some sort of a limitation. The effective rate of taxation on a piece of property in this country is 1.1, $11 per thousand. With the revaluation, Jersey City is going to have to come up to close to $31 per thousand. That's three times the national rate. And why? The cost of government in this city to provide local government right now is close to $500 million. We got a city operating budget of $212 million. We got an educational budget of close to $184 million. We have a county budget of $185 million. And it's estimated that the people of Jersey City use 55% of those services. That's a total cost of close to $500 million. Now, what does that mean? We have 220,000 people in this city. That means to provide government for every man, woman, and child in this city, it's costing close to $2200.

Now, the Senator is introducing a bill in which he says senior citizens will be exempt to a certain point, based on what the increase is due to them through the revaluation. What about the increase in the amount of taxes being raised in the city this year? The Mayor didn't refer to that. He indicated we had stability. We don't have any stability. Last year we raised $150 million. This year we're raising $175 million. So when this exemption is given to the senior citizens, how are you allocating in this bill what part of it is due to the revaluation, and what part of it is due to the increased taxes that city has to raise? Because you and I both know that revaluation in itself does not increase the amount of taxes that a municipality receives. That's the first question I would ask Senator Cowan.

On this credit your giving, Tom, how do you break down--

SENATOR COWAN: If you would please put that in concise form, I would appreciate it.

MR. BELL: Yes, okay. My point is this, you're indicating a senior citizen will get a certain credit based on the increase of taxes he is going to pay through the revaluation. How do you determine what that increase is, from last year to this year?

SENATOR COWAN: All the amount of taxes he's paying this year to last year.

MR. BELL: Wrong.

SENATOR COWAN: No.

MR. BELL: Yes, because the increase is--

SENATOR COWAN: No, you asked a question as to--

MR. BELL: And I'm telling you your answer is wrong.

SENATOR COWAN: You asked the question, how I determined the amount of taxes, and I'm saying to you the amount of taxes what he paid over last year. That's the question you asked. Did I misunderstand you, or misinterpret you?

MR. BELL: Well, I don't know which. My point is this. It seems to me what you're saying, the senior citizen will get a deferral based on the increase he has to pay in taxes because of the revaluation.

SENATOR VAN WAGNER: No. That's not true. That's not the way the bill is drawn. What it would allow-- The elderly person if they were eligible to do is they would be able to defer the taxes based on 50%-- First of all they would have to have at least 50% equity in the house.

SENATOR COWAN: Fifty percent of equity in the house.

SENATOR VAN WAGNER: From that point on, they would be able to defer the amount of increase in the value of their property as a result of the revaluation. They would be able to defer that amount.

SENATOR COWAN: Over the amount of what they paid the year before, basically is what it amounts to in simple terms.

SENATOR VAN WAGNER: Okay. So it would only be the amount it was increased--

MR. BELL: But Senator, I'm saying to you again you can't figure that out because you have to use the tax rate. The tax rate is going to be $31.

SENATOR VAN WAGNER: Right. Okay.

SENATOR COWAN: The amount of tax dollars that are paid.

MR. BELL: No, you can't do it, and I'll explain to you why.

SENATOR VAN WAGNER: No. They would have to use the tax rate.

MR. BELL: But you can't use the tax rate and I'll tell you why. Last year the assessed valuation in the city was about $800 million. This year, with the revaluation, it's close to 5,650,000,000. That's a 700% increase. Now normally if the spending did not go up, you would take the $182 tax rate of last year and divide by seven, and if you do that, that's

$26. But the tax rate is not going to be $26. There's a $23 million tax increase which increases that rate from $26 to $31. So if you use $31, you are not attributing the increase just to the revaluation, you are also allocating part of that increase because of the increase in the amount of tax dollars that the city is raising.

SENATOR COWAN: What I'm trying to say -- excuse me, Mr. Chairman -- in very simple terms, is the amount of dollars paid in taxes. That's what we're talking about.

MR. BELL: Okay, then this Committee--

SENATOR COWAN: But regardless of what the valuation may be as to appreciation or the devaluation.

MR. BELL: All right. Then this Committee should understand that the increase that you're deferring is not because of the result of a revaluation. It's also because of the result of increased spending on the part of the city. Let me put it to you quite clearly this way. The problem is not the revaluation.

SENATOR COWAN: Excuse me, Mike.

MR. BELL: Yes?

SENATOR COWAN: Excuse me. The question you asked, and then follow up with rhetorically or otherwise, the cost of spending is something set aside and apart, that is the budget as it relates. If you wish to refer to the budget, that's one factor. But if you wish to refer to the tax rate, that's another factor.

MR. BELL: Well, the tax rate does reflect the budget, plus the assessed evaluation you have in the city. It's one and the same thing.

SENATOR VAN WAGNER: Let me put it another way. The deferral is triggered by the revalve.

MR. BELL: Well, I'm indicating to you--

SENATOR VAN WAGNER: But the fact is -- and just to end this-- I will not argue, and no one up here can argue with you that although the triggering mechanism is the revalve, it does, in effect, defer tax increase per se. If you want to say that also includes whatever increase in spending that may be incurred by the government, that may or may not be true. But I think it should it be made clear that the deferral is not one which comes because the city increases its spending. The triggering mechanism is the revalve.

MR. BELL: I disagree with you wholeheartedly. Five years ago--

SENATOR VAN WAGNER: Well you may, but I'm looking at the bill.

MR. BELL: Well let's do it on the basis of facts. It's very nice to say it's the revaluation that's causing all the problems in this city.

SENATOR VAN WAGNER: No, no, no. You misunderstood me. The triggering mechanism for this bill, for those who might qualify for deferral, is the revaluation.

MR. BELL: Well let me give you facts and figures which puts that in serious doubt. Five years ago, in 1983, the ratio of assessed valuation to full market value was about 40%. Now, the assessed valuation in the last seven or eight years, give or take 20 or 30 million, has hovered around $800 million. That means that 1983, five years ago, on a full valuation basis, the total ratables in the city were close to $2 billion; $2 billion, 40%, assessed valuation of $800 million. Let us assume we had no revaluation. Right? And you had that $2 billion. The amount of taxes that this city raised, knowing that a revaluation had to be put into effect, that we were in violation of State law for more than 20 years, the total amount of taxes that this city now raises is $175 million. Three years ago it was $100 million. That's an increase of 75% in the amount of taxes the city is raising in three years, knowing a revaluation had to be put into effect.

Now, let's say we stayed at the $2 billion. There was no revaluation, right? We've got to raise $175 million this year. That's a rate of $87 per thousand if we had no revaluation. Now let's take the house in downtown Jersey City, that five years ago was worth 50,000 to 100,000, and went to 200,000 to 300,000. Let's let it stay at 50,000 to 100,000, put a tax rate of $87, and I submit to you that homeowner in downtown Jersey City, yes, and that senior citizen, would be paying the same money is total taxation that it's paying now because of the revaluation. And if I'm wrong, confront me with those facts and figures and show me where I'm wrong.

SENATOR VAN WAGNER: I can't refute you because I don't know where you're getting your figures. I have no idea where you're picking them out of.

MR. BELL: Well they happen to be accurate figures, I can assure you, Senator.

SENATOR VAN WAGNER: I'm sure.

SENATOR COWAN: If I may, Mr. Chairman, in all deference to Mike -- and Mike has been known in Jersey City for quite a long time, as he indicated before his presentation. I know Mike a long time. He is a graduate of Harvard, I believe. Has been a Fulbright Scholar from the St. Peter's College here in Jersey City, I believe if I'm correct. If I'm not correct, please correct me, Mike. But the point is here that it's true that in revaluation, as you stated, in certain areas the taxes may go up. But this whole basis, the theme of this legislation, is not because of budgetary problems but revaluation problems. And in certain areas of the city the taxes may go down, despite budgetary problems that may exist. So that's something, Mike, that you also have to address, not half of the picture, if you follow me. I'm not looking to get into any dissertation. You stated what may exist in one section of the city. And all I'm saying now -- and I'd like to end it here if possible -- that in another area, or various areas of the city, the taxes might go down despite budgetary problems.

MR. BELL: I understand the reasons that impel you for the passage of this bill. I have seven relatives who live downtown. They're between the ages of 68 and 82. Last year they paid $13,000 collectively in taxes. This year, with the rate of $30 to $31, they're going to be paying about $37,000. And every one of them probably, if they can get a buyer, is going to be forced to sell. However--

SENATOR COWAN: Mike, is that a budgetary problem or an appreciative problem as to real estate values?

MR. BELL: It's both.

SENATOR COWAN: No.

MR. BELL: With some people it's more--

SENATOR COWAN: No, there are certain areas of the city that that same home may have gone down in value, or the people are paying less. Isn't that correct?

MR. BELL: Senator, the reason--

SENATOR COWAN: Isn't that correct, Mike?

MR. BELL: I'd like to indicate the reason for it. Because traditionally over the years, because of the Hague Machine, to reward its patronage, the people downtown were underassessed. In Hudson City it was just the opposite. That was the home of most of our Republicans and independents, and therefore, in order to get their support, their properties were also underassessed.

SENATOR COWAN: Mike -- and I excuse myself from the Chairman. You'll have to excuse my indiscretions here, but Mike and I could discuss this on a variable number of evenings and hours as to what exists--

MR. BELL: Senator, I'm not trying in any way to detract from the Senator's laudable intention to provide relief to the homeowner. However, if you understand the precarious position that Jersey City is in today-- You've got 26,000 homeowners who have to come up with close to $90 million. That's almost $3500 per home. It's estimated that those 26,000 homeowners have a collective income of $625 million. So you're asking $625 million to come up with $90 million in property tax. Now, the average homeowner in American pays 3% of his income in property taxes. Here you're asking people to pay 3% of the value of their home in property taxes each year. In other words, Senator, if you have a home let's say whatever its value, and you're earning $150,000 a year, the average person making that money in America pays $4500 in property taxes. However, in Jersey City, regardless of your income and whether or not you're a senior citizen, if you have a home that's worth $150,000, regardless of your income, you're going to be asked to pay $4500 in taxes each year.

Now, I don't demean-- And I didn't mean to suggest that-- What I'm saying is, for Jersey City to survive, if you're going to allow this type of spending, $2200 for every man, woman and child, and if you're going to continue this type of taxation where the property tax has to fund local government, Jersey City is bankrupt. The people cannot come up with that money. And this type of bill, which does not give us more money from the State, only shifts that burden from one class of taxpayers to another. And who is to prevent, by the way, a lot of people from deeding their property to their parents to get the benefit of this? That's a separate, a fraudulent question.

What I'm disturbed about is we're getting away from what the real problem is, and the real solution. Put a limitation on the property tax. Don't ask the property taxpayers, be they senior citizen or not, to assume the burden. All we're doing here is shifting the burden from one class of property taxpayers to another within the city.

And let me tell you another thing. If we didn't increase that cost of taxes that we're raising from 100 to 175 million--. If we didn't give away close to $25 million in abatements in the last three years, your rate might be at a point where we didn't need this type of legislation. It would be in that area of about $12 to $15 per thousand.

SENATOR GRAVES: Okay. Mr. Chairman?

SENATOR VAN WAGNER: We'll really go far afield.

SENATOR GRAVES: I'm sitting here as a Senator. Most of his rhetoric is based for a council consumption. First of all, let's see what he's talking about. What he's talking about is-- He's highlighting the fact that the State of New Jersey probably more so than any other State in our country, forces local property taxes to a confiscatory status.

MR. BELL: That's right.

SENATOR VAN WAGNER: That's throughout the State.

SENATOR GRAVES: That's throughout the State. I'm the Mayor of the third largest city. I'm sitting here as a Senator--

MR. BELL: We're third in the Union after Alaska and Wyoming.

SENATOR GRAVES: Let me finish, please. If not, I'll just walk out.

I'm the Mayor of the third largest city, sitting here in the second largest city. And I feel like I'm home because the problems are the same. I don't know if the other two Senators fully understand what you said, because they're not on the municipal level like I am. What you said is factual. Nobody can debate you. Nobody can challenge what you said. What you said is a mouthful of truth. But the truth is that what we're trying to do is to find a way, and maybe this is the first vehicle. I'm surprised that some haven't said that this is a Robin Hood piece of legislation. Its proposition is supposed to take from the rich and give to the poor. But it's a vehicle. It's a vehicle that's going to posture legislative conduct to maybe solve the problems. Maybe not. Maybe they're going to use this as a sideshow to say, "Well we found another way to delay coming to grips with what we're doing to the cities and municipalities of this state."

We sit, pass law after law, and in those laws we keep saying, "You will do this on a municipal basis." Then after we sit back and tell them to do it, then we sit back and say, "Well who's going to pay for it?" The local property owner. Well, this might be the first vehicle that has four wheels, and enough gas in it, to travel that road to get to a solution of what we're forced on a local level to do to people.

We've got a Governor who sits with a $300 million surplus. Not a surplus, that guarantees his bond structure, but which he prefers to call "The rainy day fund." But the Governor doesn't quite understand that we've had such heavy rain, that some of the weather forecasters have given it a name. It's of hurricane proportions what we're doing.

We're trying to look for a way for somebody who is on fixed income, who doesn't have the ability because of age or handicap, to go out and get that second job, the average homeowner in the State of New Jersey has to have two breadwinners if there's a family. If not, you've got to be making $50,000 a year to survive in this state. And yet, when we have a SLERP Commission that studies something for three years, the two most prominent members of the opposite political party say "dead on arrival" before it gets to them.

MR. BELL: Terrible.

SENATOR GRAVES: The Governor, astoundedly, when he made the statement that he didn't want to increase or escalate the tax rate for the rich because we were going to stop businesses from coming to New Jersey, because the rich enterprisers of that business were not going to be satisfied with paying more than 3.5% in a tax structure. The Speaker of the Assembly said it so that maybe more people could understand

"DOA", translated, "dead on arrival."

What are we going to do? Are we going to try to find some way to stop the escalating causes from eroding the ability of our mothers and fathers, to be able to keep their home? We haven't done it yet in New Jersey.

I can think of two or three key reasons to vote no on this, but so as not to put our feelings in the wrong category, I'm going to support it. I'm going to support it because it's finally something that focuses attention on somebody who can't get down here and fight for themselves. How can we anticipate an 82-year-old couple to showing up here tonight or anyplace else in this oppressive heat, to give their thoughts to what they're suffering? Why do we want them to expose their financial ability when we don't force anybody else?

I feel that what we should do with a bill like this is enable the municipality to have a realty tax in a transfer. In other words, for every sale that takes place in that municipality, $100 goes into that so-called kitty to provide for the seniors.

We've got to do something for the seniors, because we finally in this state have put the final straw that broke the camel's back. We've broken the backs of the ability of the seniors on fixed incomes of this state to survive. We did it. We did it because we said we want something done in education, and then we say, "Go pay for it." We did it when we say we're going to pay towards the education in our municipalities, particularly in our urban cities, and then we say, "We'll chase it the following year. We'll kill you this year, but we'll try to revive you if there's any breath left in you next year, because when we bring ourselves into the current year, we always follow you one year later. We forced you to raise your taxes in this town by $20 million to meet an educational formula that we say you must do. We on the State level won't give you the 80% until the following year. The following year you're already caused to go up into another category."

We passed a law for the policemen and firemen in this state, and we give them the most unique law in the world. We put them into a posture by State statute of binding arbitration, and tell our cities, "To hell with you, you go and you will pay--" And then we even make it worse.

There can't be a middle of the road, counselor. There's only one way. The hearing officer has to go either this way or that way. He either has to agree with the city-- And he'll never be hired again if he goes with the city. He'll be blackballed by every PBA and FMBA. I'm not saying this because I'm anti cop, anti police, or anti fireman, because I wrote the toughest laws in the country to protect-- There's the Graves Act, my drug bill, raising the drinking-- They are all my bills. So I don't think I can get put on me the mantle that I'm anti cop. What I'm saying is, that I'm anti State government passing laws that it doesn't fund.

We've got a vehicle here, and I'm going to get in it. I'm not going to try to drive this vehicle, but I'm going to become a passenger in the front seat of this vehicle because at last we find a way to start something that causes some spotlight on what is going on. If the Legislature votes for this, they are admitting that we place our senior citizens through confiscatory taxation. We're saying to them that we're forcing municipalities to have revalves, whether or not they can afford to pay for it.

In Paterson they want over a million dollars to force us by statute to do a revalve that's going to shudder some people. I'm not quite as afraid of my city as maybe some other cities were, because I think that it will justify itself because downtown has been eroding its tax base by going to the County Board of Taxation based upon some sales which have completely reversed themselves. Buildings three years ago that were selling for $300,000, are now selling for $2 million. So I see a healthy picture there.

But we've got to do something, and we just can't say to this one, "Well this one doesn't meet all the things." This could be the foundation that we can build our house on to alert, and to find a way to try to solve.

I would also like to see in this bill -- and maybe I'll try to amend it on the floor -- that wherever a municipality forces a tax increase of 15% or more, that that senior citizen gets into that category; not just because of a revalve, because confiscatory taxation could put them into a posture that will be equally as harmful to them as a revalve might be, as in the particular category of an increase in taxes because of what the State jams down our throats.

We say, "Okay, we'll cut our public safety." Then the Governor says, "If you cut your public safety by one person, then we're going to take millions of dollars in State aid away from you." So he stands over you with a club, and that club pretends to defend you, but that club intimidates you to the fact that you again cause confiscatory-- So in order to protect the plank of what the State is giving you through the Safe and Clean Streets Act -- which I helped write -- you're then put into a position that you'll lose all the Safe and Clean Streets by an executive order -- not by a legislative order but by an executive order, if you deteriorate by one person your public safety division.

So, you are so right when you say and spotlight what's going on in this State. The only thing that I don't ride the same bus with you on, is you're not really telling factually who did it to us. The State did it to itself. I kept passing statutes, and passing laws for the benefit of some -- in particular, the police and firemen, for the benefit of them -- and then it says, "You do it. This is it. You pay for it. You're supportive of it." It says to the 500 municipalities that, "You got binding arbitration, and there's no middle ground in that binding arbitration." And the arbitrator doesn't even take to fact the ability of the municipality, "Just do it." So we've got to find some way so that the,"Just do it" legislation of this State and the hardness of this State and some of its leaders of not wanting to negotiate something--

Monday I tried to override the Governor. It was a $100 million bill that would cause no new State taxes, no new State tax. He conditionally vetoed that bill, and sent it back to us in the Legislature and said, "I'll be for it if you will give me another new tax." That's what he said. In his conditional veto, if we went along with his conditional veto, we would go for a 2% plastics tax. He also said, number two, that, "I will go for it only under the condition that I will send a check personally to the homeowner, and not do it to the municipality." So we'll spend $500,000 more for stamps and envelopes and checks, and help, and whatever the computer causes us to do manually or physically. But no, I only got 22 votes, and I needed 27 to try to bring forth a couple million dollars to Paterson and $3 million to this town. Every municipality in this state was going to get something. Every municipality.

So, we got a crooked vision, sir. Even though your portrayal in general things, as a Mayor, I know is factual, I also know that our senior citizens can't take any more.

MR. BELL: I understand your point, Senator. And at the risk of repeating myself, the only thing I'd like to emphasize is every large industrial state in this Union has been faced with the problem of the shift from the non residential to the residential sector, when revaluation has been put in. In every one of those states -- and I repeat, California, Illinois, Missouri, New York, Massachusetts -- since 1970 the answer has been to put a constitutional limitation on the amount of taxes a piece of property pays.

Now, with all due respect, what this bill does is still keeps the entire burden on the property sector, on the homeowners, although it does shift it, to an extent, from the senior citizen to the non senior citizen.

Now, you asked before, Senator, as to what the total change in dollars would be? If Senator Cowan's figures are correct -- and I'm sure they are -- the increase would be 40 cents per thousand dollars.

SENATOR VAN WAGNER: Yeah, we had computed that--

MR. BELL: That would amount to a shift of close to $2 million--

SENATOR VAN WAGNER: Two million dollars.

MR. BELL: --because under the new valuation, it takes about $5 million, $5.5 million of expenses to increase the tax rate one dollar. So naturally 40 cents would be about $2 million. So you're talking about 1500 people. You're talking about an average deferral of about $1300 per household. Now, you mentioned we would do this through increasing the uncollected taxes about one percent.

SENATOR VAN WAGNER: I mentioned that that was a mechanism that might be used.

MR. BELL: Well, you're not even close, Senator. I don't mean to-- Maybe I'm being overly critical, only because I feel so strongly in my heart that the property--

SENATOR VAN WAGNER: I have a very thick skin. Go ahead.

MR. BELL: Well, I don't mean this personally. But the facts are that the uncollected taxes last year-- Do you know what that amount was? It was $10 million. And we put that in the budget. You know, if we couldn't collect the $10 million -- I don't want to get off on a tangent again -- before the revaluation, you have to question whether or not we're going to collect it now with the revaluation. But to get on your point -- you would be increasing this one percent -- no, you would be increasing this 20%, because that 10 million would go to 12 million.

SENATOR VAN WAGNER: No. I think you misunderstood what I said.

MR. BELL: Well, then I'm sorry. I misunderstood you. I thought you said that money would go into the reserve for uncollected taxes, the total amount of the deferral.

SENATOR VAN WAGNER: No. I said that there's an amount of money that's budgeted each year for a reserve for uncollected taxes, and that some of the deferral might be budgeted within that.

MR. BELL: Well, what I'm indicating to you is the amount is $10 million. I just indicated to you the deferral is $2 million. So you're talking about almost a 20% increase.

All right. If I may, I'd like to get to some constructive points.

SENATOR VAN WAGNER: Well, you wouldn't have a reserve anyway because you'd be past shifting the burden.

MR. BELL: Exactly. Well, you can't do it anyway because your reserve, as you know, is limited by State law to a certain formula and you can't change that unless you change State law.

All right. Let me talk, if I may -- and I appreciate your attention -- as to the point of constitutionality. I don't think it matters whether or not it is permissive or mandatory. Whether or not it's constitutional depends on whether or not it's constitutional, not whether or not it's permissible or mandatory. Now, I think what you're doing here -- and I assume you're doing it for purposes of time -- you're going to try and get in this deferral, through that constitutional amendment which gave the senior citizens a $250 tax credit. I don't want to get into a constitutional argument, but I've argued constitutional law. I suggest to you that you ought to research that much more thoroughly if you're thinking about passing this bill. I would say, from the analysis that I've done, I don't think it's constitutional. I think it may need another constitutional amendment.

Now, what I also would like to understand-- A senior citizen now who would have the protection of this deferral, does this mean then that he cannot, once he starts borrowing, refinance his house, or increase the liens against his house, at a certain point in time?

SENATOR VAN WAGNER: Nothing in the law would prevent him, no.

MR. BELL: All right, well let's say I have a house worth $100,000. I borrowed about $30,000. I had a mortgage of 20. I can raise that mortgage to 80, even though I borrowed more than what would be the equity after the refinance?

SENATOR VAN WAGNER: You would lose the deferral.

MR. BELL: Then you'd have to pay it. I think that should be explained in the legislation, if it's not there--

SENATOR COWAN: Well that's what it indicates in the legislation that you've looked at, that it's 50% of equity.

MR. BELL: Yes, but what does that--

SENATOR COWAN: So if you go above that, then you lose it.

MR. BELL: No, but let's assume when you've gotten the deferral you were within the 50% of equity. Now, for whatever reason, the family has to refinance, borrow again. Does that mean when you go over the 50% of equity that money immediately has to be paid back before sale or debt? It has to also be paid back on a refinance?

SENATOR COWAN: Well, I doubt very much that you could get a loan. Basically this legislation is for the purpose of filling in where people, particularly the seniors and the disabled, cannot get loans or mortgages. That's basically why this legislation is before us. So I doubt very much if you get a deferral, that you would go to a bank and then get a mortgage.

MR. BELL: Well that leads me to a question then which is not clear in my mind. Is this deferral then an equitable charge against the house? Does it constitute a lien?

SENATOR VAN WAGNER: Yeah.

MR. BELL: And that's in the legislation?

SENATOR COWAN: Yes.

MR. BELL: All right.

SENATOR COWAN: So first, as all tax liens are, the paramount, as I shall say, rests with the city. Excuse me, but I'm not a lawyer.

MR. BELL: Well does this constitute a lien, even though at the point there's a deferral in time?

SENATOR VAN WAGNER: It constitutes a first lien.

MR. BELL: All right. Again, if I may, I think there are certain suggestions that could be made here, which as the Mayor indicates-- And by the way, I didn't mean to interrupt you, Mayor. I was just trying to comment on the point that you were making. And while I don't know you personally, I certainly know you governmentally, and have had a lot of respect for your mayoral career, and can only hope your Senatorial career is just as rewarding and just as fruitful for the people of this State.

SENATOR VAN WAGNER: Well, if you're heard him, he's just about passed every law we have in the State of New Jersey, either the Graves Act or the--

SENATOR GRAVES: No, only about 95%.

SENATOR VAN WAGNER: Ninety five percent, and if you're wondering who the guy was who mandated all this stuff, there he is, right over there. (laughter)

SENATOR GRAVES: But I have to go.

SENATOR VAN WAGNER: Yeah, we have to-- Mike, I don't want to rush you along, but the Mayor has another meeting.

MR. BELL: All right. I'll end in two minutes.

SENATOR VAN WAGNER: We've been here two hours. You've been there a half an hour.

MR. BELL: I'd like to make some positive suggestions, which also can help senior citizens.

SENATOR VAN WAGNER: Always welcome, Mike.

MR. BELL: All right. If the State is going to allow tax abatements, I think it's time--

SENATOR VAN WAGNER: The State already does allow tax abatements.

MR. BELL: Well, if it's going to continue to allow it -- and there's serious question as to whether or not it should be used in areas where it's being used, but that's a separate point-- But if that is to be allowed, and if the property owners of Jersey City, senior citizens and others, in effect, are subsidizing those abatements, I think it's time that the State considers if it's going to give an abatement that the State makes up that difference and puts that money in the county treasury.

SENATOR VAN WAGNER: That was the war cry from Senator Graves, and also Assemblyman Hardwick, I might add: the State mandates; the State pay kind of thing. What has happened over the years, very frankly, is that legislation similar to this is passed which basically allows municipalities to do certain things.

MR. BELL: I understand.

SENATOR VAN WAGNER: The State doesn't necessarily say you must do it, it says you can do it; you know, whether it's five-year abatement, 20-year abatement, enterprise zones, whatever it is. And everybody sort of takes their pick of what they like. The fact of the matter is that those kinds of things have, although for a period of time created a burden, they have resulted in some very positive things happening too, in many communities.

MR. BELL: I understand that. We have no problem with that. The question is, who has to pay for it?

SENATOR VAN WAGNER: So, the question becomes-- I would prefer -- as I said earlier -- to see these kinds of things, if done for the right reasons, at least partially funded by the State of New Jersey; some type of co-payment, you know.

MR. BELL: Right. Well, I'm going to make another suggestion for the Senator, which I think may be a good idea if we're going to set up all this special type of legislation. If the property owners of the city of Jersey City in effect are going to subsidize these abatements along the waterfront, which is going to create a huge increase in State sales and State incomes tax which is going to the State Treasury, I strongly suggest that all of the monies that would come from a certain waterfront development area -- that legislation be passed that that money go back, since we paid for it, to the city of Jersey City and be used to lower our property tax.

SENATOR VAN WAGNER: Okay.

MR. BELL: Now, I'd like to make one other suggestion. One of the big expenses here for senior citizens, especially in a county like Hudson, is county government. Now the county is more a subdivision of the State--

SENATOR VAN WAGNER: I've got to stop you, if you don't mind. We're really here to do this bill, and I have to say, respectfully, if you have criticism of the county government or the council that's where it should go.

MR. BELL: No, this is no criticism at all. My suggestion is this, if you want to help the senior citizens-- A big part of their tax payment is for county government. My suggestion is this: The county is basically an arm of the State, not an arm of the municipalities. But the municipalities pay for its cost. Why? It's very simple. Because we always did it. We never had a broad-based tax before 1966. We do have a broad-based tax. We have an income tax. We have a sales tax. Let the State pay for county government, not the local municipalities. Thank you.

SENATOR COWAN: Not a question, and I'm not speaking rhetorically in any sense right now, but some of the issues you raised, Mike, are very good concerning whatever entities in government you are redressing -- in a sense addressing, but redressing -- and whatever exists there, those are properties that you should be addressing to those local entities.

But I think that you will agree with me that this legislation would not exist except for the fact that we are going for a revaluation. It would never exist if there were tax increases per se and we remained under the old assessment. The only reason, and the total purpose of this legislation, is because of reassessment. And I think everyone here this evening will address that as such.

MR. BELL: Well, I understand your sentiment. I would only conclude by saying, if you have a base of $5 billion, there is no way you can spend $500 million each year. You can't expect 26,000 people to come up with $90 million in taxes each year. I really think that's your basic problem. Thank you.

SENATOR VAN WAGNER: Thank you. Just so everybody is aware of the process-- Since this is a public hearing, we cannot take a vote on the bill tonight. That vote must be taken at a meeting convened for the purpose of passage of bills and release of bills. But I think as you can see from the sentiment that's been expressed by Senator Graves and myself and Senator Cowan, we feel that it will have support.

I want to thank everyone who came tonight and made suggestions, for those suggestions. You are on the tape. We're going to be addressing some of those things, whether it be issues of constitutionality, whether it be issues of clarifying certain areas -- what happens if a person passes on? So, we'll be incorporating those kinds of recommendations into the bill writing process when we get ready to consider this bill for release to the full Senate.

I just want to make it clear to everyone that the three members that are present here at this Committee, all support the reorganization and restructuring of the tax structure of this State. I, in 1976, Chaired the Tax

Committee, and wrote the State's first income tax; tried to write a circuit breaker, which is your constitutional limit. A circuit breaker, for those of you who are interested, is a mechanism whereby your property taxes can never be more than a percentage of your income. And if they are, the State must bear the overburden, as they call it. We also, back in '76, tried to get the State to pick up the cost of a lot of the county governmental expenditures, public assistance included, the courts, and things of that nature, which again would have lifted the burden of the property taxpayer.

But these are issues that need your support, need strong voices, like Mike Bell's and other people who understand what taxation is about. So, I would hope that you will continue to be involved in the process.

I'd like to thank Mayor Cucci for his hospitality in this beautiful cool chamber. And I'd like to thank again all of the people of Jersey City who came tonight, for providing us with an interesting meeting. Thank you very much. Good night.

(HEARING CONCLUDED)

APPENDIX

CITY OF JERSEY CITY

ANTHONY R. CUCCI
MAYOR

CITY HALL
JERSEY CITY, N.J. 07302
(201) 547-5200

PRESENTATION TO THE SENATE COUNTY AND MUNICIPAL GOVERNMENT COMMITTEE, AUGUST 10, 1988, AT THE MUNICIPAL COUNCIL CHAMBERS, JERSEY CITY, BY JERSEY CITY MAYOR ANTHONY R. CUCCI

GENTLEMEN:

THE LEGISLATION THAT YOU HAVE BEFORE YOU, S2560, IS NOT A UNIQUE PROPOSAL. THE IMPACT OF REVALUATION UPON PROPERTY OWNERS OF LIMITED INCOME, PARTICULARLY THE ELDERLY AND THE DISABLED, IS A PROBLEM FACED BY EVERY COMMUNITY WHICH MUST BRING ITS ASSESSMENTS WITHIN THE STATE CONSTITUTIONAL MANDATE. ALMOST A DOZEN BILLS BY SENATORS AND ASSEMBLYMEN HAVE BEEN INTRODUCED AT ONE TIME OR ANOTHER TO ALLEVIATE THE SITUATION. TO DATE, NONE HAVE MET WITH SUCCESS BECAUSE THEY ALL SOUGHT STATE FUNDING.

THIS BILL, S2560, HAS ONE MAJOR DIFFERENCE. IT DOES NOT REQUIRE OR SEEK ONE DIME OF STATE MONEY. IT IS PERMISSIVE, WHICH ALLOWS THE MUNICIPALITY TO HANDLE THE PROBLEM.

THE REMEDY IS FISCALLY SOUND. IT GIVES FULL RELIEF. IT IS SELF-LIQUIDATING. IT PERMITS OUR OLDER CITIZENS WITH LIMITED INCOMES TO REMAIN IN THEIR HOMES AND TO TAKE ADVANTAGE OF THE INCREASED EQUITY IN THEIR PROPERTY WITHOUT ANY HARDSHIP. IT IS SIMILAR TO AN EQUITY LOAN, BUT IS MUCH SIMPLER. IT IS NO DIFFERENT THAN THE PROCEDURE NOW FOLLOWED BY THESE SAME SENIOR OR DISBLED CITIZENS TO OBTAIN THEIR PROPERTY TAX CREDIT.

THE INCREASE IN PROPERTY VALUES IN THE DOWNTOWN AREA OF JERSEY CITY HAS DRAMATICALLY ROCKETED. LONG TERM RESIDENTS, PARTICULARLY THE ELDERLY ON LIMITED INCOMES ARE FACED WITH HEAVY TAX INCREASES WITH ONLY THE INCREASED PROPERTY EQUITY AS AN ASSET. YOU HAVE BEFORE YOU OVER 40 EXAMPLES OF PROPERTY IN THE DOWNTOWN SECTION WHICH PRESENTLY ARE OWNED BY PERSONS ELIGIBLE FOR THE SENIOR CITIZEN OR DISABLED PROPERTY ALLOWANCE. YOU CAN SEE THE HUGH TAX INCREASE CAUSED BY REVALUATION IN THIS AREA. THE 1988 TAX RATES IS STABLE AND IS NOT A FACTOR IN THE INCREASE.

PRESENTLY, THERE ARE OVER 3,000 PROPERTY OWNERS WHO QUALIFY FOR THE SENIOR CITIZEN OR DISABLED TAX CREDIT. A LARGE NUMBER RESIDE IN THE HEIGHTS SECTION, ANOTHER AREA WHERE VALUES APPRECIATED, BUT NOT AS GREATLY AS DOWNTOWN.

IT IS ESTIMATED THAT ABOUT HALF OF THE QUALIFIED SENIORS IN THE CITY WILL NEED HELP.

TO QUALIFY FOR A DEFERRAL, A HOMEOWNER MUST HAVE AT LEAST 50% EQUITY IN HIS HOME. MOST SENIORS HAVE NO OR SMALL MORTAGES. DEFERRED TAXES WILL CARRY INTEREST SET BY THE LOCAL GOVERNING BODY. I AM SURE ANY SYMPATHETIC COUNCIL WOULD MAKE THE RATE MINIMAL, ANOTHER FEATURE MORE FAVORABLE THAN A COMMERCIAL EQUITY LOAN. THIS BILL LIMITS THE CUMULATIVE ALLOWABLE AMOUNT OF DEFERRALS AND INTEREST TO 50% OF RESIDENTIAL VALUE, BUT THIS CAN BE INCREASED TO 80% WITH THE APPROVAL OF THE DIVISION OF TAXATION.

IN THE CASES YOU HAVE BEFORE YOU, ON A 50% EQUITY BASIS, PROTECTION AT TODAY'S VALUES WOULD RANGE FROM 20 TO 49 YEARS; AT 80%, 33 TO 79 YEARS. THE LONGER PERIODS COINCIDE WITH HOMES OF LESSER VALUE, THE GROUP MORE LIKELY TO NEED HELP.

THERE IS ANOTHER UNUSUAL FEATURE CONTAINED IN THIS BILL. IT EXTENDS THE RELIEF BEING GIVEN TO AN OWNER-OCCUPANT OF MORE THAN A SINGLE FAMILY UNIT TO THE TENANTS AS WELL. THE OWNER-OCCUPANT WOULD AGREE TO MAINTAIN RENTAL CHARGES CONSISTENT WITH RENTALS IN EFFECT DURING THE BASE YEARS. THE MUNICIPAL GOVERNING BODY WOULD ESTABLISH REGULATIONS FOR THE RENT CONTROL FOR THESE UNITS TO PROVIDE FOR ANNUAL ADJUSTMENTS IF NEEDED FOR JUSTIFIABLE CAUSES.

THE DEFERRED TAXES WILL HAVE A MINIMAL EFFECT ON THE LOCAL TAX RATE, ESTIMATED AT 1%. AN ACTUARIAL STUDY WILL PROJECT THE RATE AT WHICH THE CITY CAN EXPECT REPAYMENT OF THE DEFERRALS AND THE LIQUIDATION OF THE RESERVE.

THE BILL IS A HUMANE EFFORT OUR OLDER AND DISABLED CITIZENS FROM A CONSEQUENCE NOT OF THEIR MAKING. IF NOTHING IS DONE, THE RESULT COULD BE CATASTROPHIC FOR THIS SMALL GROUP OF HOMEOWNERS. WHILE THE STATE WILL BEAR NO FISCAL RESPONSIBILITY, IT DOES HAVE A MORAL OBLIGATION TO HELP. WE NEED YOUR AUTHORIZATION TO BE ABLE TO PROVIDE OUR LOCAL SOLUTION.

THANK YOU.

ANTHONY R. CUCCI
MAYOR OF JERSEY CITY

ONE FAMILY UNIT

	Assessment		Taxes		Tax	
Location	Old	New	Old	New	Increase	%
2nd	$4400	$440000	$801	$1320	$519	65
3rd	6100	113600	1110	3408	2298	207
4th	5000	64600	910	1938	1028	113
5th	5600	139900	1019	4197	3178	312
	4200	67000	764	2010	1246	163
	6500	100000	1183	3000	1817	154
7th	3900	49800	710	1494	784	110
	3700	54500	679	1635	956	141
	4100	49800	746	1494	798	107
8th	10500	170100	1912	5103	3191	167
Brunswick	4000	47900	728	1437	709	97
Jersey	12200	182000	2221	5460	3239	146
Monmouth	6000	54700	1092	1641	549	50
	2900	52600	528	1578	1050	199
	6700	114300	1220	3429	2209	181
Newark	3900	56900	710	1707	997	140
Pavonia	6900	66700	1256	2001	745	59
	6400	102200	1165	3066	1901	163
Varick	10600	200000	1930	6000	4070	211
	13200	386000	2403	11500	9177	382
W. Hamilton	9800	28300	1784	8490	6706	376
	11200	305700	2039	9171	7132	350

TWO FAMILY UNIT

Location	Assessment Old	Assessment New	Taxes Old	Taxes New	Tax Increase	%
1st	$8800	$104200	$1602	$3126	$1524	95
2nd	8900	173600	1620	5208	3588	221
	5900	78200	1074	2346	1272	118
5th	5400	114500	983	3435	2452	249
	6200	146500	1129	4395	3266	289
	8000	100000	1456	3000	1544	106
	8000	148300	1456	4449	2993	206
	11500	150500	2094	4515	2421	116
8th	6400	95900	1165	2877	1712	147
9th	8100	116700	1475	3501	2026	137
Pavonia	8200	99700	1493	2991	1498	100
W. Hamilton	9500	209200	1730	6276	4546	263

THREE FAMILY UNIT

	Assessment		Taxes			Tax
Location	Old	New	Old	New	Increase	%
1st	3500	108000	637	3240	2603	409
4th	11800	163800	2148	4914	2766	129
5th	7800	150000	1420	4500	3080	217
Brunswick	8000	148500	1456	4455	2999	206
	11300	165000	2057	4950	2893	141
Montgomery	14200	250000	2585	7500	4915	190
Pavonia	13900	183900	2531	5517	2986	118
	9600	238900	1748	7167	5419	310