

Office of Legislative Services Background Report The Homestead Property Tax Reimbursement Program

OLS Background Report No. 71

Prepared By:
Local Government

Date Prepared:
November 9, 2005

**New Jersey State Legislature
Office of Legislative Services**
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<http://www.njleg.org>

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INTRODUCTION

The Homestead Property Tax Reimbursement provided by the State to eligible senior citizens and disabled persons was created by the passage of P.L.1997, c.348. The program is designed to reimburse qualified senior citizens and disabled persons for property tax increases. The eligible senior or disabled homeowner is entitled to receive a homestead property tax reimbursement in addition to either a homestead rebate or a NJ SAVER rebate, whichever is greater.

THE HOMESTEAD PROPERTY TAX REIMBURSEMENT PROGRAM

The homestead property tax reimbursement program is a property tax relief program for senior citizen homeowners meeting certain annual income requirements, and for disabled persons regardless of their income. The program provides an annual State reimbursement check for eligible senior citizens and disabled persons that represents the difference between the amount of property taxes due and paid in the base year (which is the year of the claimant's initial eligibility), and the amount of property taxes due and paid in the year for which the senior citizen or disabled claimant is seeking reimbursement. A senior citizen or disabled property taxpayer who remains eligible in succeeding years will be reimbursed for any increase in the amount of property taxes paid over the base year amount. Once the taxpayer's base year is established, it will remain the same as long as the taxpayer remains eligible in succeeding years. If a taxpayer doesn't satisfy the eligibility requirements in one year, the taxpayer's new base year will become the next year that the taxpayer satisfies all the requirements.

For senior citizens or disabled persons residing in a mobile home park, the reimbursement amount is the difference between 18% of the site fee due and paid in the taxpayer's base year, and 18% of the site fee due and paid in the year for which the taxpayer is claiming reimbursement.

QUALIFICATIONS FOR ELIGIBILITY TO RECEIVE A HOMESTEAD PROPERTY TAX REIMBURSEMENT

The parameters of the homestead property tax reimbursement program are established by statute at N.J.S.A.54:4-8.67 et seq. A senior citizen or disabled person qualified to receive a homestead property tax reimbursement is one who:

- ! is at least 65 years of age (there is no age limit for persons who are permanently and totally disabled);
- ! has been a resident of New Jersey (either as a renter or homeowner) for at least 10 years;
- ! has an annual income that does not exceed the income limit set each year for single or married individuals; and
- ! owns and occupies a homestead that is his or her primary residence.

A homestead is defined under N.J.S.A.54:4-8.67 as any one of the following:

- ! a house,
- ! a condominium,
- ! a unit in a cooperative,
- ! a unit in a mutual housing corporation,
- ! a mobile home or manufactured home in a mobile home park,
- ! a unit in a horizontal property regime, or
- ! a unit in a continuing care retirement community.

The senior citizen or disabled person seeking a homestead property tax reimbursement under this program must file an application on State Form PTR with the Director of the Division of Taxation in the Department of the Treasury no later than March 15th following the tax year for which the homestead property tax reimbursement is sought. (A detailed listing of the qualifications that must be met appears in the Appendix to this report.)

STATE COST OF THE HOMESTEAD PROPERTY TAX REIMBURSEMENT PROGRAM

The amount of the annual homestead property tax reimbursement check provided to eligible claimants varies from claimant to claimant for two basic reasons. The amount of the reimbursement will vary from year to year for each person based on the increase between the annual tax bill and the base year tax bill of the qualified resident. Also, because the homestead property tax reimbursement is cumulative in nature, the amount of the annual check will increase in relation to the number of years the qualified resident is participating in the program.

The following chart represents the number of checks issued to persons qualified to receive a homestead property tax reimbursement, the total amount of all checks issued by the State, and the average amount of each check issued in each benefit year, since the inception of the program.

Benefit Year (Tax Year)	Number of Checks Issued	Total Amount of Checks Issued	Average Amount of Checks Issued
1998	36,010	\$3,976,529.24	\$110.43
1999	35,245	\$6,424,941.03	\$182.29
2000	33,018	\$8,280,559.15	\$250.79
2001	104,894	\$22,047,186.26	\$210.19

2002	84,488	\$17,739,140.25	\$209.96
2003	147,151	\$71,909,060.66	\$488.68
Benefit Year* (Tax Year)	Number of Checks Issued	Total Amount of Checks Issued	Average Amount of Checks Issued
2004	143,299	\$87,510,721.14	\$610.69

(*Information for benefit year 2004 was received from the Division of Taxation in the Department of the Treasury as of November 3, 2005 and is current as of that date.)

It should be noted that in FY 2004, a year of fiscal constraint, language included in the Appropriations Act limited eligibility for a tax year 2002 reimbursement (payable in FY 2004) to those qualified individuals who received a reimbursement for tax year 2001, and limited the amount of the tax year 2002 reimbursement to the amount received for tax year 2001. As a result of these constraints, program costs remained at roughly the same level in each of those fiscal years. Those constraints were lifted for reimbursements for tax year 2003 (paid to qualified individuals in FY 2005).

APPENDIX

CRITERIA FOR ELIGIBILITY TO RECEIVE A HOMESTEAD PROPERTY TAX REIMBURSEMENT

Persons Eligible for Deduction

The qualifications for eligibility to receive a homestead property tax reimbursement are contained in N.J.S.A. 54:4-8.67. This statute provides that State residents who are 65 or more years of age, or disabled and receiving monetary payments under the federal Social Security Act, who reside in a dwelling owned by them and used as their principal residence, including a condominium, cooperative, unit in a horizontal property regime, or mobile home located in a mobile home park, who have an annual income not in excess of the statutory limitation as adjusted annually, and who have lived in New Jersey as a renter or owner not less than 10 consecutive years, at least three of which as the owner of the property for which a homestead property tax reimbursement is sought, shall be entitled, annually, on proper claim being made therefor, to a homestead property tax reimbursement. A person seeking eligibility to receive a homestead property tax reimbursement must also have paid the full amount of the property taxes (or site fee if a mobile home owner) that were due on the principal residence for the year for which the reimbursement is being claimed.

The surviving spouse of a deceased New Jersey resident who during his or her life received a homestead property tax reimbursement will be entitled, so long as the surviving spouse remains a resident in the same homestead for which the homestead property tax reimbursement was granted, and so long as he or she is an eligible claimant, to the same homestead property tax reimbursement, upon the same conditions and with respect to the same homestead.

Property Ownership

An applicant must own the dwelling for which the deduction is claimed on December 31 of the year for which the reimbursement is being sought. When a residence is owned by more than one individual, other than a husband and wife, each eligible owner is entitled to his or her own proportionate share of the property tax reimbursement based on his or her share of the property. Shares of property ownership are deemed to be held equally by all property owners. In a case of unequal ownership, the percentage of the applicant's ownership must be documented on the Form PTR when applying for the reimbursement.

Residence

An applicant also must meet residency requirements as of December 31 of the year for which reimbursement is sought. A claimant must have been a resident owner or renter in New Jersey for at least ten consecutive years, and must have owned the principal residence for which a homestead property tax reimbursement is sought for not less than three consecutive years prior to the date that an application for a homestead property tax reimbursement is filed.

Income

The income limits for eligibility to receive a homestead property tax reimbursement were increased by 100% for tax year 2000 as the result of the enactment of P.L.2001, c.251. These income eligibility limits are required by N.J.S.A.54:4-8.68 to increase annually by the amount of the maximum Social Security benefit cost of living increase for that year for single and married persons, respectively. The Director of the Division of Taxation in the Department of the Treasury must adopt new income limits annually by notice or regulation. A claimant's annual income must include income from all sources, exclusive of the following ten types of income:

- ! Benefits received under the New Jersey State Lifeline Credit Program/Tenants Lifeline Assistance Program;
- ! Benefits received as New Jersey State Homestead Rebates or NJ SAVER rebates;
- ! Benefits received as NJ SAVER Rebates;
- ! Proceeds from a spouse's life insurance;

- ! Capital gains on the sale of a principal residence after May 6, 1997 of up to \$250,000 if single, and up to \$500,000 if married. Capital gains in excess of the allowable exclusion must be included in income. (Capital gains and the exclusion of all or part of the gain on the sale of a principal residence are computed in the same manner for both Federal and State income tax purposes.);
- ! Federal Advance Child Tax Credit payments paid under the Jobs and Growth Tax Relief Reconciliation Act of 2003;
- ! Stipends from the Volunteers in Service to America (VISTA) and Foster Grandparents programs;
- ! Agent Orange Payments;
- ! Reparation payments to Japanese Americans by the Federal Government pursuant to sections 105 and 106 of the Civil Liberties Act of 1988, P.L. 100-383 (50 U.S.C. App. 1989b-4 and 1989b-5); and
- ! Amounts paid as reparations or restitution to Nazi Holocaust victims pursuant to P.L.1998, c.113.

New Jersey residents applying for the tax year 2003 reimbursement must have a total income for 2002 that is less than \$39,475 in the case of a single person and a combined income that is less than \$48,404 in the case of a married couple, and a total income for 2003 that is less than \$40,028 in the case of a single person and a combined income that is less than \$49,082 in the case of a married couple.

Application Process to Receive Homestead Property Tax Reimbursement

Claimants must apply for the deduction on form PTR supplied by the Director of the Division of Taxation in the Department of the Treasury. Form PTR-1 is to be used by applicants who have not previously received a homestead property tax reimbursement. Form PTR-2 is to be used by applicants who applied for and received a homestead property tax reimbursement in the previous year. (Applicants filing Form PTR-2 will only have to provide income and property tax information.) Applications must be received by the Division of Taxation no later than March 15th of the year following the year for which reimbursement is sought.

Claimants are required to file an application on an annual basis and are required to provide proof of the amount of property taxes due and paid. According to the Division of Taxation, this requirement can be met by providing copies of a claimant's property tax bill and copies of canceled checks or receipts. The Division of Taxation notes that if a claimant does not provide the necessary proof of the amount of property taxes due and paid with the application, a reimbursement will not be provided.

Age or Disability

A senior citizen must be 65 years of age or older as of December 31 of the tax year for which a reimbursement is sought in order to qualify to receive a reimbursement. There is no qualifying age requirement to be met by either a surviving spouse or a disabled person. Under the statute, a "disabled person" means an individual receiving monetary payments pursuant to Title II of the federal Social Security Act (42 U.S.C.s.401 et seq.) on December 31 in all or any part of the year for which a homestead property tax reimbursement is claimed.

Amount of Homestead Property Tax Reimbursement

The amount of the homestead property tax reimbursement received by each qualified resident will vary from year to year, based on the increase between the annual tax bill and the base year tax bill of the qualified resident. Also, since the homestead property tax reimbursement is cumulative in nature, the amount of the annual check received by each qualified resident will increase in relation to the number of years the qualified resident is participating in the program.

If eligible under statutory law, a claimant is also entitled to receive the senior citizens' and disabled persons' property tax deduction and the veterans' property tax deduction, as well as any homestead rebate provided pursuant to law.

Specific questions regarding the application process and required supporting documentation, or the appeals procedure available in the case of a denial of a homestead property tax reimbursement, should be referred to the Division of Taxation Property Tax Reimbursement Hotline at 1-800-882-6597, or in writing to NJ Division of Taxation, P.O.Box 900, Trenton, New Jersey 08625-0900.

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